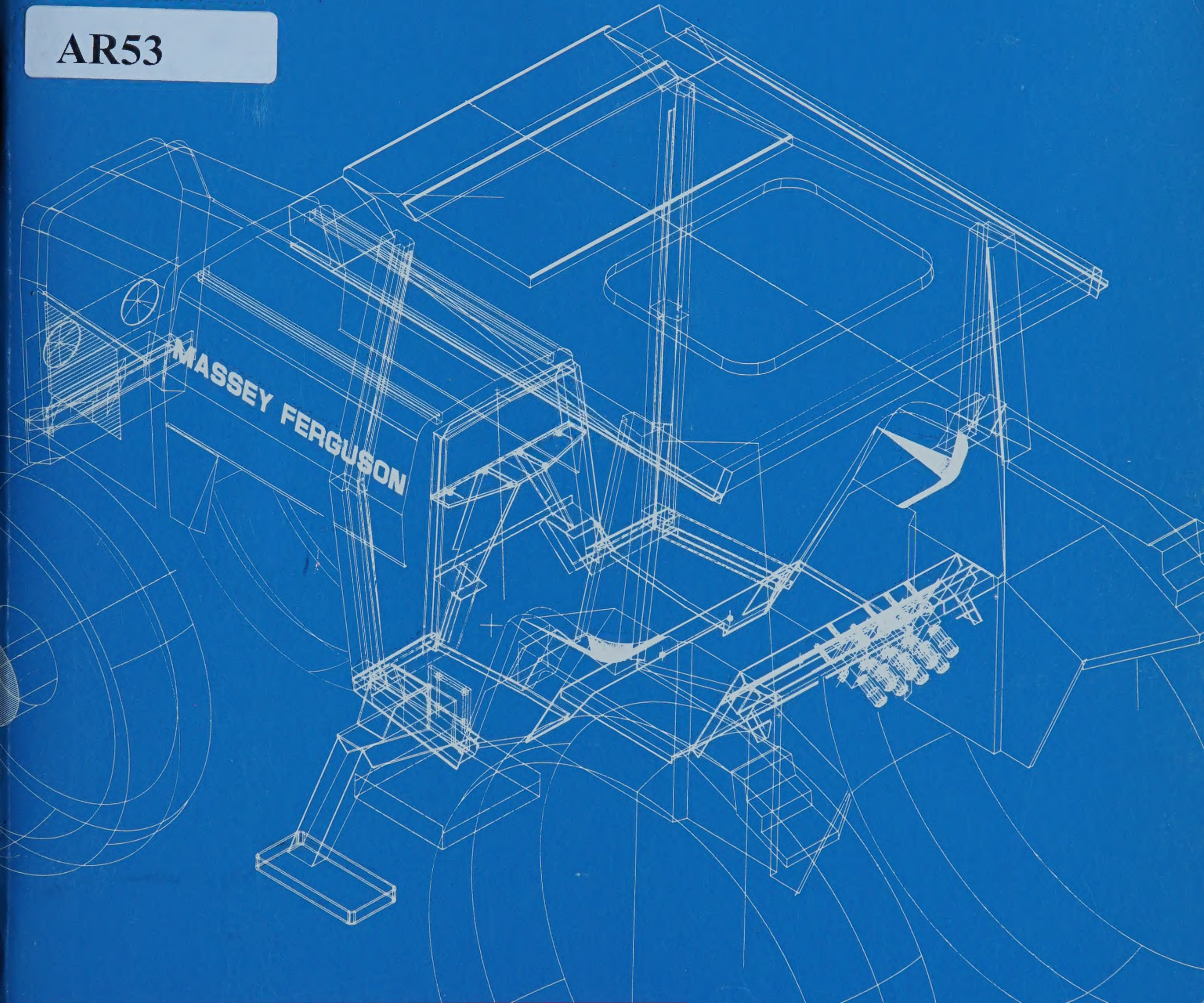
MASSEY-FERGUSON LIMITED

ANNUAL REPORT 1982

For the 12 Months Ended October 31, 1982
and for the 3 Months Ended January 31, 1983



New Agreements Reached with Lenders...
Five-year Financial and Operating Restructuring Nears Completion...MF Remains Number 1 in Tractors World-wide

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended January 31		Years ended October 31	
		1983	*1982*	**1982**	1981
OPERATING SUMMARY	*(Millions of U.S. Dollars)*				
	Net Sales	*$313.3*	*$480.6*	**$2,058.1**	$2,646.3
	Operating Loss	*(85.3)*	*(54.7)*	**(205.0)**	(218.2)
	Provision for unusual costs and reorganization expense		*(10.4)*	**(170.8)**	(5.1)
	Net exchange (loss) gain	*(9.1)*	*(8.4)*	**(37.4)**	28.5
	Net Loss	*(94.4)*	*(73.5)*	**(413.2)**	(194.8)
	Cash provided by (used in) operations*	*(5.7)*	*(47.0)*	**21.4**	27.3
PER COMMON SHARE	*(U.S. Dollars)*				
	Net loss (after dividend claims on preferred shares)	*$(1.74)*	*$(1.84)*	**$ (8.95)**	$ (8.60)
		*Pro Forma** January 31* 1983	*January 31* 1983	*October 31* **1982**	1981
FINANCIAL STATUS	*(Millions of U.S. Dollars)*				
	Net current assets*	$626.2	$ 670.6	**$ 722.9**	$ 994.4
	Long-term debt**	718.7	1,025.3	**1,024.6**	1,031.3
	Shareholders' equity	400.6	143.4	**236.6**	569.7

*Excludes finance subsidiaries

**Reflects the refinancing program agreed to on March 7, 1983. See Note 4 (b) to the Consolidated Financial Statements.

CONTENTS

ABOUT THE COVER

New product development is the key to continued success. At Massey-Ferguson, management is making investments today that will ensure successful products tomorrow.

Computer-aided design and computer-aided manufacturing are now routinely used to enhance new product designs such as the tractor shown on the cover.

ANNUAL AND SPECIAL MEETINGS

The meetings will be held in the Commonwealth Ballroom of the Holiday Inn Downtown, Toronto, Canada, on Wednesday, April 27, 1983.

The Annual Meeting will begin at 11:00 a.m. All holders of preferred shares are entitled to attend but not vote at this meeting.

The Special Meeting of Preferred Shareholders will begin at 2:00 p.m. All holders of common shares are entitled to attend but not vote at this meeting.

10-K REPORT

A copy of the Company's 10-K report for the fiscal periods ended October 31, 1982 and January 31, 1983 is available to shareholders upon request to the Company Secretary.

LE RAPPORT EN FRANÇAIS

La rapport du conseil aux actionnaires et certains extraits du rapport annuel en français peuvent être obtenus sur demande en s'adressant au Secrétaire de la Compagnie.

THE BUSINESS OF MASSEY-FERGUSON

Massey-Ferguson is a Canadian-based multinational corporation that designs, manufactures and markets, world-wide, farm and derived industrial machinery, and diesel engines.

It is the largest producer in the Western World of tractors and a world leader in multicylinder diesel engines.

The Company's products are made by subsidiaries, Associates and licensees in 34 countries and sold in 190 countries.

TO MASSEY-FERGUSON'S INVESTORS

1982 was an extremely difficult and challenging year during which your Company, along with others in the industry, suffered severe financial pressures. However, unlike the rest of the industry, Massey-Ferguson was able to benefit substantially from a cash conservation and asset use-maximization program initiated in 1978 and progressively intensified since then. In keeping with this, while most companies in the industry tended to increase dealer inventories, your Company reduced production to maintain a better balance between inventories and industry sales levels. Thus, for the second consecutive year, despite overall losses of U.S. $413.2 million in the year ended October 31, 1982, your Company was successful in generating a positive cash flow from operations, with $21.4 million in 1982 and $27.3 million in 1981.

The year also saw us reach the final stages of a five-year program to improve efficiency and downsize operations to realistic industry levels and restructure the Company's finances to improve its long-term position by increasing cash flow and strengthening its balance sheet. New agreements with world-wide lenders were concluded and the highlights and impact of these are described separately in this Report on page three.

Consistent with its strategic plan, your Company continued a policy of withdrawing from activities and facilities not central to its core business, thereby providing a firm foundation for future development. These initiatives in 1982 included the sale of the Company's interests in Argentina; the closure and sale of the tractor plant in Sao Paulo with production moved to our larger combine plant in Canoas, in the south of Brazil; closure of two parts warehouses in North America; the disposal of the factory at Knowsley, in the United Kingdom; the closure of the foundry at Eschwege, in West Germany; and the closure of the tractor plant and the planned cessation of production during 1983 at the transmission and axle, and gear and shaft plants in Detroit. In addition to these actions, the achievements of the asset use-maximization program begun in 1978 also include a reduction in employment levels from almost 68,000 in 1978 to 29,700 in 1982. The reduction in 1982 amounted to 10,000. Since 1978, manufacturing space has been reduced by almost 9 million square feet, or 36 per cent, by the closure or divestment of 15 plants.

New agreements reached with lenders...five-year financial and operating restructuring virtually completed...cash conservation and improved asset utilization... new products introduced...

These actions, coupled with continuing aggressive cash conservation programs and our new agreements with lenders, have achieved a base from which to reach for profitability even at depressed market levels.

Tenacity and a Company-wide spirit of innovation have been the hallmarks of actions taken during 1982, and this inspires optimism even in the face of a continuing tough market environment.

PRODUCT DEVELOPMENT

Operations of our Farm & Industrial Machinery and Engines Divisions have continued to follow an aggressive policy of product development. More than 23 new or improved farm machinery products were introduced during the year. These include the new MF 600 and MF 200 series tractors in the 45 to 90 horsepower ranges as well as new tillage implements. Perkins Engines, which celebrated its 50th anniversary during 1982, maintained a fast pace in product development which saw, among new introductions, two new versions of the TV8.540 diesel engine for use in heavy construction and agricultural machinery. Rated up to 235 bhp., these 8.8 litre, eight-cylinder engines were among more than 11 new models, ranging from 60 to 350 brake horsepower, introduced during the past year.

Meanwhile, throughout 1982, research and development activities were pursued on a wide front extending from the increased application of electronics in farm machinery to the use of alternative fuels, including vegetable oils, coal based fuels, gazogene (obtained by the partial burning of carbon in air) and alcohol fuels.

Modernizing and upgrading of production, test and quality-control procedures and equipment also continued in our farm and industrial machinery and diesel engine plants, and included the installation of laser equipment at the diesel engine plant in Peterborough, England.

With a comprehensive range of products – the best in many years – and with improved automation in our factories, your Company is well placed to respond to increased demand for our products when it occurs. Despite the difficulties over the past five years and the worst downturn in the industry since the depression of the 1930's, Massey-Ferguson will emerge from the recession having retained its position as the world's largest maker of tractors and a world leader in multicylinder diesel engines.

Your Company's distribution network continues to be the broadest and one of the largest in the industry, and our 5,000 farm and industrial machinery and more than 2,000 Perkins dealers and distributors are supporting the Company's marketing initiatives with enthusiasm. Among these are innovative computer developments and a reorganization in our North American network heralding a new and more effective way of doing business. This includes a Telemarketing function which enables smaller dealerships to be in constant telecommunication with the Company's sales and distribution headquarters to ensure prompt service to customers at considerably reduced costs.

In general, 1982 was very much in line with our expectations of a continuing hostile environment. Aggressive discounting throughout the North American industry took a heavy toll on financial performance. Nevertheless, our cost of goods sold as a percentage of sales

at average exchange rates was almost the same in 1982 as in 1981 when incentive programs in the industry were far less drastic.

Marketing, general and administrative expenses were reduced 16 per cent to $345.7 million; and interest expense was reduced to $186.7 million from $265.2 million. Inventories of $625.9 million were down $121.2 million, reflecting management's early recognition of continuing poor market conditions.

NEW DIVISIONS

In line with strategic planning goals, three new stand-alone operating Divisions have been established. Two Divisons – Components and Canadian Foundries–were organized to seek third-party business for products already made by the Company. The Components Division, based on the manufacturing facility in Eschwege, West Germany, is developing new customers for such products as hydraulic cylinders, valves and chains, while the Canadian Foundries Division is building third-party business in Canada and the U.S. for ductile and gray iron castings from our Kanmet and Brantford facilities in Ontario. The third new Division – Trade and Barter – recognizes the growing importance of counter trade, or barter trade. By using goods and commodities in payment for machinery and providing assistance in the sale of such goods, the Division helps countries with limited foreign reserves to fund machinery purchases. It will facilitate the sale of Massey-Ferguson's products and offer other companies the opportunity to engage in trade and barter throughout world-wide markets.

NEW FISCAL YEAR

Last November, with new agreements with lenders imminent and the resulting restructure of the balance sheet, management determined that a change in fiscal year end would enable us to present to shareholders a more meaningful Report covering the impact of the refinancing. Therefore, this Report covers the 12 months period from November 1, 1981 to October 31, 1982 and, additionally, deals with the quarter commencing November 1, 1982 and ending January 31, 1983. The new 1983 fiscal year began February 1, 1983 and will end January 31, 1984.

RESULTS FOR THE QUARTER

For the quarter ended January 31, 1983 the loss of $94.4 million on sales of $313 million was, as predicted, the result of the temporary halt to production in several plants for most of the period and the continuing decline in industry sales, particularly in North America and Latin America. In the period a year ago, the loss was $73.5 million on sales of $481 million. Cash flow from operations was substantially improved from the 1982 period. For the three months this year, we came close to a cash break-even with a negative cash flow of only $5.7 million versus a negative flow in last year's quarter of $47.0 million.

In conformity with our strategic plan to seek majority-holding local partners for key growth markets in Latin America, negotiations in Brazil are well advanced with governmental agencies and third-party investor groups to strengthen the equity of our Brazilian subsidiary, Massey Ferguson Perkins S.A. Since Massey-Ferguson Limited would hold a substantial but minority position in the resulting company, the assets and liabilities of the subsidiary have therefore been deconsolidated from the balance sheet at January 31, 1983 and carried as an investment. However, the net loss of the Brazilian company is included in the $94.4 million net loss for the quarter, accounting for $8.7 million of the total.

OUTLOOK

Looking ahead to our new 1983 fiscal year, we see a continuing difficult period for the industry and a very challenging and demanding year for your Company.

Key factors entering into farmers' decisions to purchase machinery include the outlook for commodity prices, acreage under cultivation, projected crop yields, interest rates and the farmer's own financial condition. Farmers' production costs are running at an all-time high–some 40 per cent higher than 1978 levels – while in the same period net income has dropped by more than 20 per cent in North America, the world's largest agricultural market.

Generally weak commodity prices, large crop carry-overs and slack world-wide demand due to the weak economic environment are likely to persist through most of 1983. The payment-in-kind (PIK) program introduced in the United States to reduce crop acreages, while promising longer term benefits, is likely to have a dampening influence on demand in the early stages.

Real interest rates remain historically high and commodity prices are showing little upward movement. The prospects for a short-term recovery at least in North America remain bleak for most of 1983. Meanwhile there are more positive signs of improved conditions in some European markets, principally in the U.K. where interest rates and inflation have declined significantly. In the rest of the world the market outlook remains depressed.

Markets for industrial tractors continue to be weak, reflecting the general slump in the construction industry. No short-term upturn of major proportions is foreseen.

Diesel engine sales remained depressed in 1982 as customers in the key markets of North America and Brazil responded to the recession by stopping production to reduce inventories. The continuing lack of demand for agricultural machinery exacerbates this situation. However, Perkins is maintaining market penetration, and sales in 1983 are likely to remain stable, possibly showing some improvement over 1982.

There are signs that our Trade and Barter Division will see increased activity in 1983, and the establishment of our Components and Foundries Divisions provides your Company with new opportunities.

Cash conservation and higher asset utilization will continue to be the order of the day as we move through the year to build on the foundation provided by our new agreements with lenders and strive to improve our financial performance to more acceptable levels. We will continue to prepare your Company to take full advantage of better market conditions in 1984 and beyond.

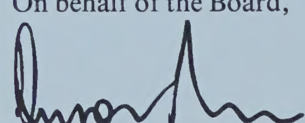
THE BOARD

On behalf of the directors, I wish to welcome to our Board the Hon. Robin H. Warrender, Chairman and Chief Executive, Bain Dawes PLC, and L.R. Wilson, President and Chief Executive Officer, Redpath Industries Limited.

The Board also wishes to express very special thanks to Albert A. Thornbrough, who has indicated his desire not to stand for re-election, and to acknowledge his many contributions to the growth of the Company and his judgement and counsel during his 27 years as a director.

To all members of the Massey-Ferguson family–employees, customers, dealers and distributors, suppliers, shareholders and lenders – we express our thanks and appreciation for their loyal support. Together we look forward with confidence to a return to profitability.

On behalf of the Board,



Victor A. Rice
Chairman
and Chief Executive Officer
Toronto, March 21, 1983

Albert A. Thornbrough To Retire from the Board

Ending his 37-year association with the Company, Albert A. Thornbrough has announced his intention not to stand for re-election to the Board of Directors. In a company that has had only 12 presidents since its incorporation in 1891, Mr. Thornbrough's 22-year tenure marks the longest period that this office has been held by one man. He brought about the effective consolidation of the Massey-Harris, Ferguson and Perkins Engines organizations to make your Company a major integrated manufacturer.

While the three companies were heavily export-oriented, Mr. Thornbrough made Massey-Ferguson into a truly multinational corporation, global in outlook yet respecting the national sensitivities and interests of each country in which it operated. He had an active interest in and understanding of developing countries, and under his leadership Massey-Ferguson built up a distribution organization world-wide in scope and uniquely suited to trading conditions of today–and tomorrow. This global interest carried beyond corporate concerns and into the area of the United Nations where, for many years, he played a key supporting role in the Food and Agriculture Organization.

Albert Thornbrough's leadership has always been tempered with courtesy. "Good relationships depend as much on courtesy as the will to make them work." This was the creed to which he held throughout his years with the Company. He leaves with our best wishes in his retirement.

FINANCIAL RESTRUCTURING

A key element of management's action plan to restore the Company to profitability was a financial restructuring program which would provide the Company with the ability to pay for the downsizing of operations, reduce interest costs and provide new injections of equity capital. In mid July, 1981 the Company concluded a U.S. $593 million ($715 million Canadian) refinancing program with substantially all of its world-wide lenders. This program resulted in:

- an infusion of new equity capital comprising a $166 million ($200 million Can.) government-guaranteed preferred share issue of which $104 million ($125 million Can.) was guaranteed by the Government of Canada and $62 million ($75 million Can.) was guaranteed by the Government of Ontario; a $125 million ($150 million Can.) convertible preferred share issue arranged with the Canadian Imperial Bank of Commerce; and a $72 million ($87 million Can.) convertible preferred share issue guaranteed by the British Export Credits Guarantee Department and arranged with the Canadian Imperial Bank of Commerce;
- a reduction of cash outlays on interest payments totalling $230 million by means of an interest waiver and conversion program under which the lenders contributed to equity capital by reducing interest and by acquiring common shares of the Company;
- a restructure of the majority of outstanding credit facilities and loans under which the lenders agreed to maintain credit facilities for a period of three years from the date of the agreement.

It was anticipated that this refinancing would provide a bridge to the expected improvement in market conditions in the farm machinery industry. However the market recession continued throughout 1981 and 1982 in an accelerated manner and the benefits of the refinancing were eroded. During this period, the Company declared as its number one priority a policy of cash generation and conservation despite its effect on earnings. As a result, in both 1981 and 1982 the Company recorded positive cash flows.

In early 1982 the Company prepared a further integrated operating and financial restructuring program. The operating restructuring was designed to reduce the costs of operations to a level which would enable the Company to break even in the current depressed market conditions. The program, which will be completed in 1983, principally involves the closure of three manufacturing plants in Detroit, U.S.A.; the downsizing of plants in North America and Europe; the sale of the Company's interests in Argentina; and the divestment of a majority interest in the Brazilian subsidiary.

The financial restructuring program was successfully concluded early in March, 1983 and will result in cash savings of $520 million over a period of years, with the greatest benefit being realized in the first three years. This program will result in:

- a reduction of cash outlays on interest payments totalling $230 million by means of an interest waiver and conversion program under which the lenders will contribute to capital by acquiring common shares of Massey-Ferguson Limited or in some cases preferred shares in certain of its subsidiaries with rights to exchange such preferred shares for an equal number of common shares in the Company;
- certain lenders, principally holders of subordinated debt, will convert loans amounting to $166 million into the Company's common shares;
- the Government of France, together with several French banks, will invest approximately $49 million in the Company's French subsidiary;
- holders of the Company's preferred shares issued under the 1981 refinancing agreements have agreed to waive dividends or accept common shares in lieu of cash dividends, when declared, up to $75 million;
- amendments to the 1981 refinancing agreements with regard to covenants and changes, generally in the Company's favour, in the amounts and maturities of lines of credit.

The Company agreed to grant security on assets to support substantially all outstanding debt.

The financial restructuring program involving cash savings of $520 million with a further $80 million from operating programs will improve the long-term financial position of the Company by increasing cash flow and strengthening the balance sheet. It will ensure Massey-Ferguson is well placed to benefit from a market upturn.

WORLD AGRICULTURE IN 1982

World agriculture experienced another year of record production in 1982. Wheat and feed grain production of 1,256 million metric tons was 3.7 per cent above the record of 1981. Rice production was two per cent below the record of 1981.

In North America, favourable weather conditions resulted in wheat and feed grain production exceeding the 1981 record by about 1.4 per cent.

In all other areas of the world, production of wheat and feed grains increased by about 4.3 per cent, but output remained below the 1978 record. The U.S.S.R. experienced its fourth consecutive poor crop, and production was sharply lower in Australia due to severe drought in much of the wheat producing areas. However, poor crops in these two countries were more than offset by increased production in Western and Eastern Europe and in China. Output in the less developed countries remained near the 1981 level.

World consumption of wheat and feed grains has been constrained since 1978 as a result of very poor harvests and reduced consumption in the U.S.S.R., the downturn in world economic growth and the high cost of carrying supplies. Although consumption in the current year is expected to increase in response to low grain prices and increased supplies, carry-over stocks at the close of the year, June 30, 1983, are likely to be about 48 million metric tons or 25 per cent above those of the previous year. This will put the increase in the last two years at 80 million metric tons or 40 per cent.

Very large crops in the United States in the last two years, along with the resourcing elsewhere by the U.S.S.R. to reduce reliance on U.S. imports, resulted in a very significant increase in the concentration of supply in the U.S. and a sharp decline in free market prices. Also, U.S. exports have not benefited from lower domestic prices, as might be expected, because of the appreciation of the U.S. dollar.

In North America, a combination of low commodity prices, high interest rates and the depressed U.S. and Canadian economies caused farm incomes to fall from $27 billion in 1979 to $19 billion in 1982.

The 147 DIN horsepower MF 2720 tractor, introduced in Europe in 1982, is the newest member of the 2000 series tractors. These high-specification, over 100 horsepower units have a very substantial share of their market sector, particularly in England and France.

DIVISIONAL ORGANIZATION

During 1982, the Company established a divisional structure and created separate operating Divisions for Farm and Industrial Machinery, Engines, Components, and Trade and Barter, and early in 1983 for Canadian Foundries. The move to strategic product businesses reflects the Company's emphasis on developing more decentralized management and more easily identified and manageable businesses with commitment to profit goals. All Divisions making components are aggressively developing third-party business for their products, both for incremental sales and for the impact on internal efficiency inherent in competing in third-party markets.

The benefits of the divisional organization lie primarily in the focus they place upon operations' performance. It is the form of organization that best advances the implementation of the Company's strategic plan and enables Headquarters to respond more objectively and with more flexibility to the growing trends of business association, such as joint ventures and licensing agreements.

FARM AND INDUSTRIAL MACHINERY DIVISION

WORLD-WIDE

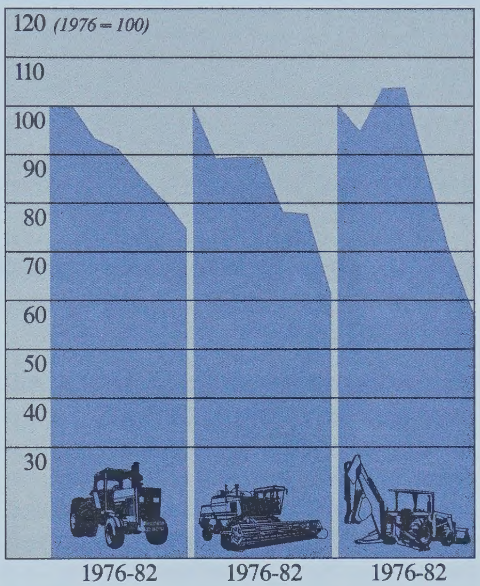
1982 was the sixth year of decline in world-wide farm and industrial machinery sales. Total world-wide industry unit retail sales of agricultural tractors were down seven per cent from 1981 levels, with the major declines in North America, Brazil, South Africa and Australia. The Company's small decrease in market share–less than one percentage point–was attributable to the lack of tender business where MF historically commands a high market penetration.

Industry unit retail sales of combine harvesters fell 22 per cent with the decline mainly in North America. The Company, however, increased its market share largely as a result of merchandising programs in North America, particularly in Canada.

Industry unit retail sales of industrial tractors fell 20 per cent with the decline mainly in North America. MF's market share world-wide increased due to the favourable market acceptance of new models.

On a world-wide basis, the Company's production of agricultural and industrial tractors totalled 108,000 units. This was down eight per cent from 1981. Of the total, production of industrial tractors was 4,000 units, down 11 per cent. Combine harvester production was 5,500 units, down 29 per cent.

WORLD-WIDE INDUSTRY UNIT RETAIL SALES



NORTH AMERICA

While North American markets continued to decline in 1982, Massey-Ferguson increased its market share on all major machines in the face of intense competitive activity. Low farm incomes caused principally by reduced commodity prices, resulted in industry retail unit sales of agricultural tractors falling 18 per cent below the low level of 1981, while combines fared even worse as industry sales fell 29 per cent. Industry sales of industrial tractors were down 27 per cent.

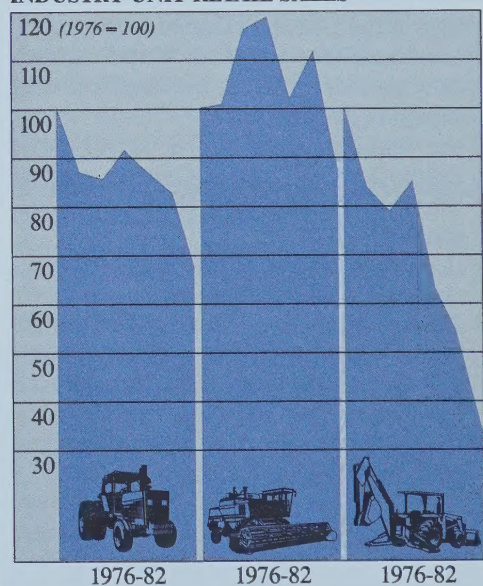
The depressed market conditions resulted in heavy discounting and high inventory levels. Massey-Ferguson, however, was able to reduce its inventories to well below industry levels. This was achieved by reduced production schedules and some temporary plant closures, coupled with the improved market share at the retail level.

CANADA

Industry retail unit sales of agricultural tractors were down 19 per cent, combine harvesters 20 per cent and industrial tractors 38 per cent.

Massey-Ferguson's market share showed impressive gains with tractors up more than two percentage points, combines up by four points, and industrial tractors up six points.

CANADIAN INDUSTRY UNIT RETAIL SALES



U.S.A.

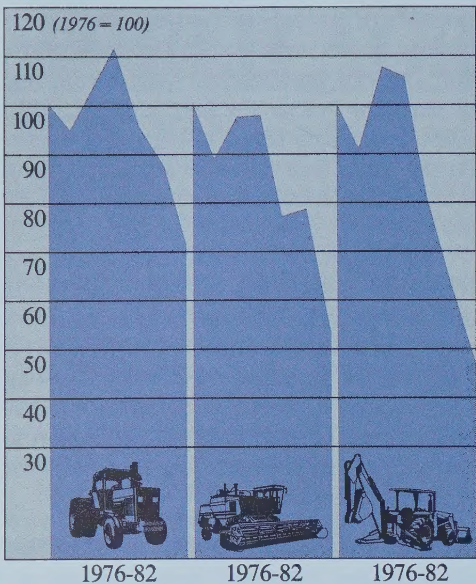
Industry unit retail sales of agricultural tractors fell 18 per cent, combine harvesters 31 per cent and industrial tractors 26 per cent.

Massey-Ferguson achieved market share increases of one percentage point for tractors, more than two points for combines and two points for industrial tractors.

WORLD-WIDE INDUSTRY UNIT RETAIL SALES

	1982 (000) Units	Per Cent of Total
Agricultural Tractors		
Europe	270	42
North America	147	23
Latin America	55	8
Other	177	27
Total	649	100
Combine Harvesters		
North America	24	45
Europe	17	32
Latin America	5	10
Other	7	13
Total	53	100
Industrial Tractors		
North America	18	51
Europe	11	30
Latin America	2	6
Other	4	13
Total	35	100

U.S.
INDUSTRY UNIT RETAIL SALES



CHANGES IN ORGANIZATION

A number of major changes were made in the organization and in the way of doing business in North America. These included:

- the transfer of four-wheel-drive MF 4000 series tractor assembly from Detroit to Brantford, Ontario;
- the sourcing of under-100-horsepower tractors for North American markets from the United Kingdom and France;
- The rationalization of production facilities in the U.S. and Canada;
- the consolidation of all North American product research, development and design in Toronto;
- the establishment of a stand-alone Foundries Division in Canada serving Massey-Ferguson and third-party customers;
- the development of the Central Electronics Group in Toronto;
- the establishment of a specialized marketing distribution organization to market the Company's Italian-produced Landini tractors in North America;
- the establishment of a North American farm implement group.

1982 also saw major changes in the allocation of Massey-Ferguson's dealer support resources. As a result, each dealer receives services, programs and MF field-force support tailored to the needs of his customers.

For higher-volume dealers, the program focuses on sales and dealership management as well as improved customer service support. MF sales staff will concentrate on sales support activities such as marketing-program implementation, sales planning and training, joint sales calls and customer prospecting.

Assistance will be given in planning and implementation of computer services in all areas of the dealer business, and the addition of business managers to the MF field force will ensure full-time operational management guidance for dealers. The Company's regional service managers and staff will continue to work directly with these higher-volume dealers.

For the smaller dealers, Massey-Ferguson has developed a Telemarketing system to assist in increasing sales while helping to keep franchise overheads at levels that will enhance the dealers' opportunities for profitable operation. For each Telemarketing dealer, an experienced MF sales manager based in Des Moines, Iowa, serves as a contact for problem solving. This program enables dealers to devote more time to customer service and sales activities.

MF sales, service, parts and financial organizations have been streamlined from 11 to eight regions covering Canada and the U.S.

PRODUCT INTRODUCTIONS

A number of new products were introduced in North America in 1982.

In harvesting equipment, upgraded combines, a new swather, and improved large round balers were launched.

Tractor introductions continued throughout the year. The Landini, 67-horsepower MF 294 joined the MF 254 and 274 in the growing mid-range North American four-wheel-drive market; all three machines are produced in a wholly owned Massey-Ferguson plant at Fabbrico, near Bologna, Italy.

The MF 2640 enhanced the MF 2000 series tractor line. This 90-horsepower machine, produced at Beauvais, France, is available in both two- and four-wheel-drive versions.

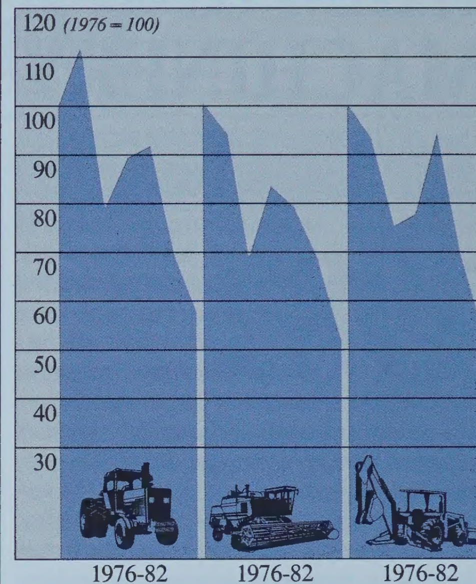
The 16-horsepower MF 1010, also available in both two- and four-wheel-drive, was added to the compact tractor range.

LATIN AMERICA

With the exception of Venezuela, the Latin American market for farm and industrial machinery hit its lowest level in 10 years. Industry unit retail sales of tractors were down 18 per cent; combines were down 21 per cent and industrial tractors 27 per cent.

Massey-Ferguson generally maintained its competitive position. Tractor market share was down three percentage points, combines unchanged from 1981 and industrial machinery up six points.

LATIN AMERICA
INDUSTRY UNIT RETAIL SALES



BRAZIL

The depressed economy in Brazil and associated downturn in the agricultural sector were reflected in declining unit sales of all major machines. Total industry unit sales of agricultural tractors fell 19 per cent after a 37 per cent decline in 1981.

However, Massey-Ferguson market share held up well on all major products, including agricultural tractors where 33 per cent market share ensured the Company's continued leadership.

The transfer of tractor manufacture from the Sao Paulo plant and consolidation of all farm machinery manufacturing activities at the Canoas plant have resulted in improved manufacturing efficiencies and lower overhead costs.

ARGENTINA

Although total industry unit sales of agricultural tractors increased by almost 50 per cent, they were still 83 per cent below sales in 1977. Massey-Ferguson's market share of agricultural tractors improved to more than 30 per cent.

The Company sold its subsidiary Massey-Ferguson Argentina S.A. to Argentinian interests who are continuing tractor production, under licence, at the Rosario plant.

MEXICO

Markets for all major products declined in 1982, with demand for industrial trac-

tors almost halved and the markets for agricultural tractors and combine harvesters down 16 and 27 per cent respectively.

OTHER LATIN AMERICAN MARKETS

Increasing political and economic problems in other Latin American markets were reflected in the falling demand for all the Company's major products. Industry sales of agricultural tractors and combines decreased by 33 per cent and 30 per cent respectively. Massey-Ferguson's share of the tractor market was down two percentage points but increased six points for combines.

EUROPE

A major positive trend in Europe saw the decline in the agricultural tractor market virtually halted during 1982, with some markets increasing and over-all retail unit sales only slightly below the 1981 level. At the current low levels, Europe accounted for more than 40 per cent of the world-wide market.

Massey-Ferguson's market share for tractors increased slightly in the year. New model introductions, across a wide horsepower range, had a positive impact on market share and are expected to show further improvement in 1983.

The combine harvester market continued to fall with a further 12 per cent decline in unit sales. Massey-Ferguson market penetration held up well in a very competitive market.

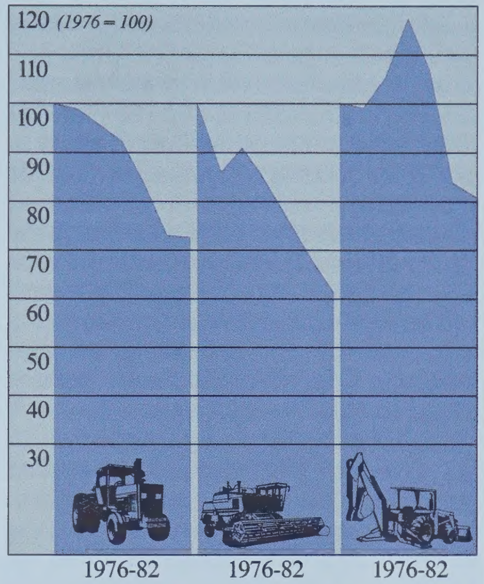
Industry unit sales of industrial tractors showed a further decline; the total market was four per cent below 1981. Markets in West Germany and Italy reached all time lows. Following the successful introduction in 1981 of a new tractor-digger-loader, Massey-Ferguson achieved a market share of more than 17 per cent.

The Company established a Used Equipment Operations initially covering Europe but conceived for eventual world-wide operation. Its aim is to establish a clear competitive advantage for Massey-Ferguson dealers in the marketing of used equipment.

The Company also established a Farm Implements Operations to cover markets outside the Americas. The group brings together engineering, purchasing, supply and marketing expertise to develop and market products through the Company's established distribution network.

Our effectiveness in the world-wide industrial machinery business will be enhanced by the establishment this past year of a single product design group and the concentration of sales, service and marketing functions at one location in the United Kingdom.

EUROPE
INDUSTRY UNIT RETAIL SALES



UNITED KINGDOM

The four-year decline in the agricultural tractor market was halted, with industry unit sales up 15 per cent from the 1981 level. Massey-Ferguson's unit sales were up by more than 33 per cent, giving a market share gain of three percentage points and virtually restoring the Company's leadership in this market.

The new MF 600 Series range of tractors below 100 horsepower was extremely well received, while the continuing trend to higher horsepower tractors was exploited by the MF 2000 Series. This range of high-specification tractors was extended with the introduction of the MF 2720 at 147 horsepower, which strengthened the Series' position as market leader in its class.

The combine harvester market remained at the depressed 1981 level.

The industrial tractor market showed a 14 per cent recovery over 1981. Massey-Ferguson, with the newly introduced MF 50D tractor-backhoe-loader, achieved penetration of 22 per cent in this highly competitive market.

Market share improvement was helped in part by the establishment of MF Leasing, the financing service which enables Massey-Ferguson dealers to offer retail customers financing opportunities matched to individual requirements.

The MF 665 combine harvester, produced in Marquette, France, was introduced in 1982 following extensive customer evaluation programs. It was one of many harvesting product upgrades put in place in 1982.

The Banner Lane, Coventry, plant remained a major tractor source for U.K. and overseas markets. Early in 1982 it produced its $2\frac{1}{2}$ millionth tractor, a record for European tractor plants, and during 1982 it accounted for more than 45 per cent of the total industry production of tractors in the United Kingdom.

FRANCE

Though some areas of the country felt the effects of a severe drought, the 1982 harvest was generally satisfactory and commodity prices were stable.

The agricultural tractor market remained depressed but industry unit retail sales held at slightly above 1981 levels. New Massey-Ferguson tractors from the Beauvais plant, the MF 600 Series and the MF 2720, were launched successfully in domestic and overseas markets, and the range of compact tractors marketed in France was extended with the introduction of a new 16-horsepower model.

After an improvement in 1981, the combine harvester market fell 13 per cent, but Massey-Ferguson was successful in holding its market share despite intense competition.

The market for industrial tractors fell slightly below the depressed level of 1981.

Massey-Ferguson has been the largest farm machinery manufacturer and exporter in France for the past 30 years. Despite the recession, exports in 1982 increased 25 per cent from 1981. The growth in shipments of tractors to North America will continue this upward trend.

ITALY

The farming sector suffered from the effects of the driest summer for many years. The drought, combined with the high cost of borrowing, had a markedly adverse impact on the level of farm machinery purchases. Sales of agricultural tractors were down 13 per cent from 1981.

Massey-Ferguson, with a combination of imported tractors and domestically produced Landini machines, increased its market share.

Industry unit sales of combine harvesters remained at the 1981 level.

Sales of industrial tractors were down marginally from 1981, but Massey-Ferguson was able to improve its market share.

The Landini plant at Fabbrico, near Bologna, continued to increase its tractor export business. Unit export sales increased 13 per cent and further growth is expected in 1983 with market development in North America and other parts of the world.

WEST GERMANY

Over the past three years, difficult economic conditions in the farming sector have resulted in a sharp decline in machinery purchases. The 1982 harvest, however, was excellent and the year saw some reversal of the downward trend in net farm income. The tractor market showed some recovery with unit sales two per cent above 1981. The depression in the combine harvester market continued with a further decline of more than 16 per cent.

The total market for industrial tractors was down 43 per cent though Massey-Ferguson gained market share to nearly 27 per cent of total unit sales.

Major structural changes were made in the Company's operations in Germany. Activities were split between the Eschwege plant near Kassel (established as the base of the new Components Division), and the marketing and sales activities for farm and industrial machinery. Programs are now being implemented to improve the efficiency of the marketing and distribution functions.

SPAIN

Industry retail unit sales of agricultural tractors declined by 13 per cent, having fallen 25 per cent in 1981, and unit sales of combine harvesters were down 23 per cent.

Motor Iberica, the Massey-Ferguson licensee in Spain which manufactures and distributes tractors, maintained an 11 per cent market share.

OTHER WEST EUROPEAN MARKETS

The market for agricultural tractors showed some improvement over 1981, which was a four year low. Massey-Ferguson improved its market share despite the adverse cost impact of the strong pound sterling on UK-sourced products and the effects of heavy competitive discounting. The benefit of distribution changes in Ireland and Denmark was demonstrated by market share improvements in both countries. Massey-Ferguson again achieved leadership in the important and demanding Scandinavian market.

Total unit sales of combine harvesters fell to an all-time low, partly reflecting the continued trend to bigger machines, but mainly reflecting low farm incomes. Massey-Ferguson's share declined slightly but it is expected to improve during 1983. A supply agreement concluded with a Finish manufacturer of combines provides the basis for increased sales and market share in Northern Europe.

The market for industrial tractors fell by 14 per cent.

POLAND

Pre-production work continued at the Ursus Tractor Factory for the manufacture of MF tractors under licence. However, conditions in Poland during the year slowed project investment, and 1982 production was limited to several hundred MF units.

MIDDLE EAST, ASIA, AFRICA, AUSTRALASIA

Market levels were generally below those in 1981. The recession in the Western World has reduced foreign aid and support programs for the non-oil producers of the Third World, and oil producers are suffering from slackening demand for their products.

With the marked exception of countries in the Middle East which did not renew tender business, markets have generally held up more strongly than in the rest of the world. Unit sales of agricultural tractors in 1982 were still well above the level of five years ago and accounted for more than 27 per cent of the world-wide total.

Despite the lack of tender business from Middle Eastern countries, which resulted in a slight drop in the Company's world-wide market penetration, Massey-Ferguson retained clear leadership of this high growth-potential market.

AUSTRALIA

Drought conditions, officially described as the worst since the turn of the century, had an increasingly adverse impact on sales through the year.

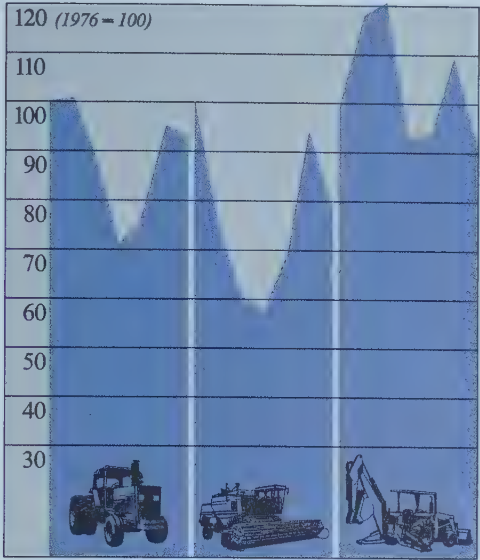
Industry unit sales of agricultural tractors fell 16 per cent, the market for combine harvesters fell 27 per cent and the market for industrial tractors fell to 88 per cent of the 1981 level.

For Massey-Ferguson, agricultural tractor market share declined slightly but market penetration of combine harvesters was maintained at more than 25 per cent. A new pull-type combine, launched for the 1982 season, should help to sustain this market performance.

SOUTH AFRICA

Drought and recession resulted in the total market for agricultural tractors falling 52 per cent from the 1981 level, with smaller declines occurring in the markets

MIDDLE EAST, ASIA, AFRICA AND AUSTRALASIA INDUSTRY UNIT RETAIL SALES



for combine harvesters and industrial tractors.

Massey-Ferguson's share of the agricultural tractor market declined slightly but market leadership was maintained at 23 per cent.

Fedmech Holdings, in which Massey-Ferguson has a 25 per cent interest, began assembly of a wide range of MF tractors at its plant in Vereeniging, producing 1,600 units in 1982.

INDIA

Tractors and Farm Equipment Limited, in which Massey-Ferguson has a 49 per cent interest, continued to develop and upgrade production of current tractor models. TAFE produced 8,400 tractors in 1982, compared with a record high of 10,000 in 1981.

PAKISTAN

With domestic demand buoyant, Massey-Ferguson shipped 12,000 component sets to Pakistan for local assembly. Good availability assured a higher share of an increased market. Programs to increase local manufacturing content are progressing.

TURKEY

The total market for agricultural tractors increased by 40 per cent from 1981, and Massey-Ferguson achieved a 24 per cent share in this larger market. Uzel, a licensee, introduced upgraded tractor models, and about 8,000 tractors were manufactured.

OTHER MARKETS

The Libyan Tractor Company, an Associate of Massey-Ferguson, completed a new tractor plant at Tripoli with production running at 2,500 units per year, all currently absorbed by the Libyan market.

In Saudi Arabia, the joint venture with the Saudi Tractor Manufacturing Company for local assembly of imported tractor component sets started on plan. The new plant at Jeddah has a planned annual capacity of 1,800 units.

Large agri-business projects in Indonesia resulted in a substantial increase in tractor demand. Massey-Ferguson's share increased to well over 33 per cent in this important growth market in the Third World.

CUSTOMER SUPPORT

Support to customers and a strong marketing focus continue to be Company priorities. After-sales service, parts support and training are receiving high-level attention to ensure long-term success. A number of specific actions were taken in 1982 to fulfill these commitments.

TRAINING

Over the years, the Massey-Ferguson Training Centre at Stoneleigh in the United Kingdom has established a pre-eminent reputation for the quality of sales, operator, service and parts training it provides to thousands of agriculture-related students from all parts of the world.

In 1982, the Centre's scope was widened with its transformation into an International Training and Development Centre. While continuing its agricultural role, the Centre is using its expertise to meet the growing demand from the commercial spectrum for all types of technical and business training. In so doing, it provides the Company with the opportunity to generate additional profits while achieving diversification of its traditional base.

In June 1982, Canadian-built combine harvesters and tables, valued at U.S. $9 million were shipped to Australia from Vancouver, Canada. By chartering two vessels to transport these 154 combines and 165 tables, the Company reduced shipping costs by over 35 per cent.

PARTS

Declining wholegoods markets have placed growing emphasis on the parts business and Massey-Ferguson sales performance in 1982 was on plan despite generally weak demand.

In Europe, a large part of this sales success stemmed from the continued expansion of the Massey-Ferguson Powerpart concept of supermarket-style packaging and display at MF distributors. New products were introduced and retailing outlets were increased with many more national distributors launching the program to their dealer networks.

A retail training centre was established at Stoneleigh, and the MF sales force was strengthened to cope with an increasingly competitive market.

Improved materials handling equipment was installed in the French and UK parts warehouses to ensure that they can meet customer demands promptly and efficiently.

In North America, parts sales held up well and service levels continued to be among the best in the industry. Facilities were nationalized to match the new regional organization.

NEW PRODUCTS

Despite the continued low level of demand for farm and industrial machinery and the need for improved asset utilization and stringent cash conservation, the Company maintained its ability to respond to customer demands for new or improved products. A number of important new model introductions and developments were made in 1982.

AGRICULTURAL TRACTORS

The Coventry, U.K., and Beauvais, France, plants began production of a new range of below 100-horsepower tractors. The MF 600 Series tractors, with high-specification cabs, have already had a major impact on Massey-Ferguson sales in Europe. The MF 200 Series, satisfying the demand for high quality with more basic, lower cost specifications, will provide support for the MF 600 Series and ensure continued sales success in the developing markets of the world.

The MF 2000 Series tractors, made in Beauvais, have now established a very substantial share of the market for high-specification units of over 100 horsepower. The sales potential of the range was further enhanced with the introduction of the MF 2720, offering proven high specifications with additional power.

A number of new models of compact tractors, vineyard tractors, and others increased the Massey-Ferguson product offering to customers in specialized sectors of the market.

HARVESTING

1982 saw the consolidation of a large number of combine harvester developments, including new models and product upgrades, which were announced towards the end of 1981 for production in Canada and France. In addition, Massey-Ferguson's dominance of the Australian market for pull-type machines was reinforced with the introduction of a new, higher capacity model. The supply agreement concluded in Europe with Rosenlew (manufacturers of Sampo combines) ensures the Company a strong presence in the market for small combines, a very important sector in Northern Europe, particularly Scandinavia.

The growing market in Europe for large round balers provides an area of new opportunities with the signing of a supply agreement with Rivierre-Casalis in France.

INDUSTRIAL MACHINERY

A new tractor-backhoe-loader, the MF 50D, went into production in the U.K., offering the highest capacity in its class.

A special project established in Europe will develop Powerskid business in world-wide markets. The product is aimed primarily at manufacturers of industrial machinery but also at other original equipment manufacturers. It offers a complete drive train from engine to rear axle (or any two major components) with a choice of Perkins engines and a wide range of axles and associated components, including steering systems and fuel tanks.

During 1982, the Company began production of the MF 50D high-performance tractor-backhoe-loader at its plant in Manchester, England. It offers the largest capacity in its class and has received customer praise for its rugged strength and high-comfort operator environment.

TECHNOLOGICAL DEVELOPMENTS

During 1982 Massey-Ferguson took a number of important steps to ensure the Company's position among the leaders in technological development. The use of electronics in farm and industrial machinery will increase dramatically over the remainder of this century. Massey-Ferguson has taken steps to ensure its competitive advantage by establishing a Central Electronics Group in Canada.

Management Systems will also play a vital role in the future success of the business and the Company's strategy is outlined separately in the Headquarters Operations Support section of this Report.

CENTRAL ELECTRONICS GROUP

Electronics will play a far greater role in the design and manufacture of agricultural machinery and in field operations.

The Central Electronics Group was established to ensure that Massey-Ferguson is positioned to exploit these trends by:

• Organizing a group of highly qualified

electronics specialists familiar with current technology.

- Maximizing the scope for common electronics componentry across the Company, thus ensuring maximum cost efficiency.
- Taking advantage of high-volume components for use in other industrial applications.

The project plan covers the product range of agricultural and industrial tractors, combines and engines and, in conjunction with Management systems, the areas of Computer Aided Design and Computer Aided Manufacturing.

The first results of this work were achieved in initial field trials of a Brantford-produced MF 850 combine fitted with several microcomputers, an operator information centre and a sophisticated electronics system. The systems provide self-steering, automatic speed control, automatic table height control and a constant operator display of harvesting results. The developmental combine has been averaging 25 per cent better productivity over comparable standard machines, and in some crops, such as uneven soybeans, it has achieved gains of 50 per cent.

ENGINES DIVISION

WORLD-WIDE SALES AND PRODUCTION

The 1982 results reflect a continuation of the depressed market for diesel engines. World-wide production of non-automotive diesel engines by all manufacturers declined 17 per cent from 1981. In Perkins' traditional sector of 30 to 350 horsepower, total production was down 30 per cent.

Production by Perkins, its Associates and licensees was 372,200 engines compared with 427,200 engines in 1981. U.K. production was 139,200 compared with 174,700 due almost entirely to declining demand in North America. Brazilian production declined from 58,200 to 35,600 units due primarily to depressed vehicle demand resulting from anti-inflationary measures.

Sales of Perkins products to third-party customers in 1982 were $399 million, a decrease of 26 per cent from 1981 and inter-company sales to Massey-Ferguson were $127 million, a decrease of 22 per cent. Many of Perkins sales are made in sterling, and had 1981 exchange rates prevailed sales would have shown a decline of only about 10 per cent.

ASSOCIATES AND LICENSEES

Production of Perkins Engines by the Company's Associates and licensees rose four per cent to 197,400 units. Bulgaria and Yugoslavia production increased 26 per cent and five per cent respectively but the other planned economy manufacturing territory, Poland, was constrained by political factors and output dropped 25 per cent.

South Africa and Pakistan contributed an incremental 9,100 and 7,000 units respectively while Peru and Turkey improved output by about 15 per cent. Spain's production of 49,500 units improved by almost 34 per cent. In India, however, economic recession significantly reduced demand as it did in Argentina, where production was down 60 per cent, and in Mexico where output dropped 53 per cent.

BUSINESS DEVELOPMENT

A vital element of Perkins business strategy has been the pursuit of joint venture projects with its original-equipment manufacturing customers. Two important projects were announced in 1982 which demonstrate Perkins' technological leadership in the development of lightweight, high-speed diesel engines.

A new V8 engine, code named 'Iceberg', announced at the Paris and U.K. International Motor Shows, is the product of a collaboration with Land Rover Limited, the U.K. based specialist in light four-wheel-drive vehicles. Developed from Land Rover's own 3.5 litre all aluminium alloy V8, it is believed to possess the best power-to-weight ratio of any high-speed diesel engine currently available. Iceberg will enter production during 1983 and will be marketed by Perkins to its third-party customers world-wide as well as being offered in Land Rover's range of four-wheel-drive vehicles.

In December, 1982, a further collaboration with the Austin Rover Group was announced to produce two new high-speed two litre direct injection diesel engines. These will be used in future Austin Rover passenger cars and will be marketed to third parties on a multi-application basis by Perkins.

Perkins will continue to pursue opportunities of this kind as they offer a secure and cost effective route for the development of the next generation of high-speed diesels.

In Eastern Europe, the Company has forged further links with Balkancarimpex, its licensee in Bulgaria. Balkancar, which has been manufacturing Perkins engines since 1966, has agreed jointly to develop a new three-cylinder engine based on the Perkins 4.236, four-cylinder 3.8 litre (236 cu. in.) industrial diesel engine.

NEW PRODUCTS

New product development was also an important highlight of the Engines Division during the year. In 1982 an announcement was made to test the market for a totally new family of diesel engines known collectively by the project title 'Q14'. The range, initially in-line six-cylinder units but designed to accommodate three- and four-cylinder development, would incorporate a number of state-of-the-art features. The top of the range T6.470 is a six cylinder unit of 7.7 litres (470 cu. in.) which, with turbo-charging and charge cooling, will produce up to 195 kW (260 bhp.). The engines have been developed for a wide range of agricultural, vehicle and industrial uses.

The 4.236, four-cylinder 3.8 litre (236 cu. in.) engine range, probably the most widely used industrial range in the world, was further expanded with the introduction of a turbocharged variant. With power output of 76 kW (102 bhp.), it competes with many other manufacturers' six-cylinder units but with significant weight, size, fuel economy and price advantages. It has been an immediate success and played a significant role in winning important new business with the British-based construction equipment manufacturer, J. C. Bamford (JCB), which now fits Perkins engines exclusively.

A familiar unit which has been finding new markets is the six-cylinder 5.8 litre (354 cu. in.) 6.3544 engine. Known as the Power Six when fitted in the new Dodge

Commando 2 truck range, it has received high praise from operators. In its turbo-charged, charge-cooled form developing up to 187 kW (250 bhp.), it has been undergoing successful trials with the British Army in the Scorpion light tank. In its turbo-charged form and featuring Perkins' Squish Lip pistons for low emissions, it has recently gained a U.S. Federal certificate for on-highway operation thereby opening up opportunities in the American truck market.

Two new versions of the TV8.540, 8.8 litre (539 cu. in.) engines, launched in 1981, were introduced. Designed for use in heavy construction and agricultural machinery, the engines produce 174 kW (235 bph.). A constant speed version will be offered for generator set use and is available for the first time with electronic governing of engine speed. This new governor will be offered on all Perkins constant speed engines, and, packaged under the Powerpart brand, will be offered through the Perkins distributor network to exploit the considerable after-market potential of this feature.

To ensure continued manufacturing cost effectiveness and the highest quality standards, a new assembly line in Peterborough, England, for some Perkins four-cylinder engines was commissioned early in 1982. Operator efficiency increased by providing easy access to the engine without the necessity to bend or stoop to complete assembly.

MANUFACTURING AND RESEARCH TECHNOLOGY

Prudent investment in the latest manufacturing technology is aimed at ensuring that Perkins engines are manufactured cost effectively and to the highest quality standards. Two of the longest automated transfer machining lines in Europe have been installed at Peterborough, U.K., to manufacture cylinder heads and blocks for four- and six-cylinder engines. When in full production next year, the cylinder block line will be capable of producing up to 70,000 blocks per year and the head line will be able to produce up to 90,000 units per year.

A new assembly line was commissioned earlier in the year for some Perkins four-cylinder engines. Operators now have free movement all around the engine and can complete their assembly tasks without stooping or bending.

A new production line for engine balancer units utilizing some of the latest machine tool technology was installed. The engine balancer is a new centre-mounted design for the four-cylinder 4.236 range of engines. Its introduction will be popular with operators since it is 100 per cent efficient at its job of eliminating vibrations caused by out-of-balance movement of rotating and reciprocating components, such as the crankshaft and pistons.

The first 'Sursulf' heat treatment plant in Britain was installed in Peterborough. This fully automated, computer controlled plant is used in the manufacture of crankshafts to ensure consistent high quality and durability.

New computerized production control systems track components as they pass through the plant and monitor the progress of each engine as it is built.

Earlier in the year the manufacturing plant of Moteurs Perkins S.A. at Genainville, near Paris, took over sole responsibility for production of the Power Exchange range of remanufactured engines. Moteurs Perkins has been remanufacturing engines since 1962 and since 1976 has held a contract to remanufacture about 9,000 gasoline engines a year for the Talbot car company.

Fundamental research into air movement during the combustion process is a vital element in many of Perkins' development programs. Laser Doppler Anemometry allows engineers to measure this movement on a running engine, and Perkins has become the first independent engine manufacturer to install this equipment. It will be used to validate the Division's air motion computer model and will play an important part in Perkins' work on advanced combustion systems.

COMPONENTS DIVISION

The Components Division of Massey-Ferguson was established in June 1982. The Division is based on the manufacturing facility in Eschwege, West Germany. Over the years this facility has developed a strong reputation in the design, manufacture and supply of hydraulic cylinders, hydraulic valves, chains, gears, clutches, and other components to the Company and to third-party customers. The establishment of a divisional organization is an integral part of plans to increase the level of this third-party business. A sales office has been established in Detroit to lead an intensified sales effort in North America.

In 1982, the Components Division produced and sold 300,000 hydraulic cylinders, 60,000 hydraulic valves and 700,000 meters of chain. Future growth is expected mainly in hydraulic components.

At present, hydraulic components manufactured by the Division are sold to three major industries: for agricultural applications, 55 per cent; for construction machinery, 31 per cent; for industrial machinery, 14 per cent.

CANADIAN FOUNDRIES DIVISION

The Canadian Foundries Division was established in early 1983. It is another step in our efforts to increase third-party business based on existing skills and facilities.

There are two distinct and separate operating entities within the Canadian Foundries Division. The Kanmet foundry at Cambridge, Ontario, specializes in ductile iron castings and has an annual capacity of 14,000 tons. The Brantford Foundry, in Brantford Ontario, produces gray iron castings with an annual capacity of 48,000 tons. These two businesses will continue to operate separately, each building on its own particular product specialities and technical capabilities.

Aggressive sales action is underway to increase third-party business in Canada and the U.S. where the foundries have enjoyed a good reputation among third-party customers by providing a full range of services, including design support and pattern making.

Major sales efforts are being directed toward manufacturers of agricultural and construction machinery and internal combustion engines, certain sectors of the automotive and truck industries and makers of valves, pumps and compressors.

TRADE AND BARTER DIVISION

The establishment of the Trade and Barter Division recognizes the growing importance of counter trade, or barter trade, which currently accounts for 20 to 30 per cent of total world trade. An increasing number of developing countries require imports to be at least partially balanced by exports in order to ease pressure on limited currency reserves.

For these countries, agricultural machinery remains a top priority import but shortages of foreign exchange place increasingly severe limits on their ability to purchase.

Massey-Ferguson remains the number one supplier of agricultural machinery to the developing world. In reaching this position, the Company has worked closely with individual countries in the development of agriculture and of local manufacturing industry, primarily through Associate and licensee arrangements.

In the same spirit, Trade and Barter Division will help these countries to maintain the supply of agricultural machinery through development of counter trade. By taking goods and commodities as direct payment for equipment purchases and providing assistance in the sale of goods and commodities, means will be provided to fund machinery purchases.

HEADQUARTERS OPERATIONS SUPPORT

The Headquarters group provides support and guidance to the operating Divisions in those areas where a global approach is required. These include Finance, Communications and External Affairs, and Management Systems.

MANAGEMENT SYSTEMS

Despite the difficult economic conditions of the past year, the Company continued to give high priority to the implementation of a world-wide Systems Strategy, together with data centre and telecommunications support, to provide ever-quicker response to market requirements.

In 1982, development began of an advanced set of on-line systems for the Farm & Industrial Machinery Division. Similar to those now in operation for the Engines Division, the new systems include a world-wide wholegoods order-entry facility, linked to all the Company's major factories, which tracks individual customer orders throughout the entire manufacturing and logistics pipelines.

A world-wide telecommunications network has been installed to support the new systems and a number of MF distributors and dealers in Europe and North America have already been provided with communications terminals for ordering emergency spare parts. As installation progresses, distributors and dealers will have access to the main Massey-Ferguson data centres for the new wholegoods systems as well as for all parts ordering systems.

In North America a program has been introduced to encourage dealers to install small computers with specifically designed application programs for more effective control of their businesses.

WORLD AGRICULTURE OUTLOOK 1983

The world agricultural situation points to little change in demand for farm machinery in 1983. Record production of wheat and feed grains in the 1982/83 crop year, ending June 30, 1983, and a relatively small increase in consumption will result in a further increase in world carry-over stocks. Also the very large 1982/83 crop in the United States will result in a further increase in the concentration of supply. Thus, the prospects for a significant increase in prices is not encouraging at least until 1983/84 production can be assessed. Current indications suggest 1983 production is likely to be below that of the last two years. Wheat and feed grain acreage in the U.S. will be reduced in response to the Government's programs, including payment-in-kind (PIK), and unfavourable weather is limiting prospects for winter grains in the U.S.S.R. and some parts of Europe. Lower output would have a positive impact on agricultural commodity prices in the fall of 1983 but, given current supplies, the timing and magnitude of price movements are unlikely to have a significant positive impact on farm machinery sales especially in North America in fiscal 1983.

MF

CONSOLIDATED BALANCE SHEETS

Massey-Ferguson Limited (Incorporated under the Laws of Canada)

(Millions of U.S. Dollars)		Pro Forma January 31 *1983 (Note 4 (b))*	January 31 1983	October 31 **1982**	October 31 1981
ASSETS					
Current Assets:	Cash	*$ 59.4*	$ 96.9	**$ 108.1**	$ 65.2
	Due from unconsolidated subsidiaries	*34.7*	34.7	**44.0**	117.5
	Receivables *(Note 6)*	*492.2*	492.2	**627.0**	834.9
	Inventories				
	Raw materials and work in process	*236.7*	236.7	**254.0**	346.9
	Finished goods	*361.4*	361.4	**371.9**	400.2
	Total inventories	*598.1*	598.1	**625.9**	747.1
	Prepaid expenses and other current assets *(Note 9)*	*58.2*	58.2	**63.7**	73.5
Total Current Assets		*1,242.6*	1280.1	**1,468.7**	1,838.2
Investments:	Finance subsidiaries–				
	Shares, at equity in net assets	*192.9*	192.9	**191.4**	188.6
	Long-term advances				1.9
	Long-term advance to previously consolidated subsidiary (Note 5)	*11.4*	11.4		
	Associate Companies, at cost	*17.2*	17.2	**18.3**	19.9
	Other	*19.6*	19.6	**19.1**	16.6
		241.1	241.1	**228.8**	227.0
Fixed Assets:	Land	*12.0*	12.0	**16.5**	16.8
	Building	*214.6*	214.6	**242.0**	243.2
	Machinery and equipment	*590.1*	590.1	**647.2**	650.9
	Production tooling	*49.7*	49.7	**62.7**	90.6
		866.4	866.4	**968.4**	1,001.5
	Accumulated depreciation and amortization	*580.1*	580.1	**633.3**	593.7
	Net Fixed Assets	*286.3*	286.3	**335.1**	407.8
Other Assets and Deferred Charges		*30.2*	35.2	**36.6**	30.4
		$1,800.2	$1,842.7	**$2,069.2**	$2,503.4

On behalf of the Board:
Victor A. Rice, Director
J. Page R. Wadsworth, Director

		Pro Forma January 31 1983 (Note 4 (b))	January 31 1983	October 31 1982	October 31 1981
LIABILITIES					
Current Liabilities:	Bank borrowings *(Note 7)*	*$ 66.4*	$ 67.7	**$ 131.6**	$ 123.5
	Current portion of long-term debt *(Note 10)*	*59.6*	19.0	**21.8**	42.1
	Due to unconsolidated subsidiaries	*5.2*	5.2	**2.1**	1.5
	Accounts payable	*240.3*	240.3	**282.8**	363.3
	Dividends payable				6.4
	Accrued charges *(Note 8)*	*237.8*	270.2	**298.1**	298.1
	Income, sales and other taxes payable	*3.2*	3.2	**5.8**	5.0
	Advance payments from customers	*3.9*	3.9	**3.6**	3.9
Total Current Liabilities		*616.4*	609.5	**745.8**	843.8
Deferred Income Taxes *(Note 9)*		*9.3*	9.3	**9.2**	8.7
Long-Term Debt *(Note 10)*		*718.7*	1,025.3	**1,024.6**	1,031.3
Pension and Other Employee Benefits		*51.9*	51.9	**49.6**	45.5
Minority Interest in Preferred Shares of Subsidiaries		*3.3*	3.3	**3.4**	4.4
CONTINGENT LIABILITIES AND COMMITMENTS (Notes 4(b), (c) and 11)					
SHAREHOLDERS' EQUITY					
	Share Capital *(Note 12)*				
	Redeemable Preferred Shares *(Note 19(b))*	*454.4*	454.4	**454.4**	378.5
	Common Shares (Issued and outstanding: 1983 Pro-forma–88,052,494; 1983–57,388,749; 1982–56,551,037; 1981–43,025,356)	*87.8*	18.6	**17.3**	136.3
	Other Paid-In Capital *(Note 4(b))*	*8.7*			
	Contributed Surplus *(Notes 4 and 12)*	*477.8*	293.7	**293.8**	170.6
	Deficit (net of retained earnings of unconsolidated finance subsidiaries: 1983–$127.8; 1982–$126.4; 1981–$125.7) *(Note 13)*	*(628.1)*	(623.3)	**(528.9)**	(115.7)
		400.6	143.4	**236.6**	569.7
		$1,800.2	$1,842.7	**$2,069.2**	$2,503.4

(See accompanying Notes to Consolidated Financial Statements)

CONSOLIDATED STATEMENTS OF INCOME

Massey-Ferguson Limited

(Millions of U.S. Dollars except per Share Amounts)

Three months ended January 31 1983	1982 (Unaudited)		Years ended October 31 1982	1981	1980
$ 313.3	$480.6	**Net Sales**	**$2,058.1**	$2,646.3	$3,132.1
		Costs and Expenses:			
281.3	402.1	Cost of goods sold, translated at average exchange rates for the period	**1,708.0**	2,171.9	2,568.5
21.8	18.5	Effect of foreign currency exchange rate changes*	**100.0**	161.5	7.7
303.1	420.6		**1,808.0**	2,333.4	2,576.2
70.9	82.2	Marketing, general and administration *(Note 19 (e))*	**345.7**	412.9	404.7
9.4	13.7	Engineering and product development	**47.9**	57.1	59.7
32.5	32.3	Interest on long-term debt *(Note 15)*	**137.3**	91.9	71.0
7.9	11.3	Interest paid to unconsolidated finance subsidiaries	**39.1**	56.0	54.5
2.8	4.7	Other interest (net) *(Note 15)*	**10.3**	117.3	114.2
(12.7)	(10.1)	Exchange adjustments *(Note 15)*	**(62.6)**	(190.0)	69.1
(2.6)	(2.5)	Miscellaneous income	**(13.5)**	(18.3)	(13.3)
411.3	552.2		**2,312.2**	2,860.3	3,336.1
98.0	71.6	**Loss before Items Shown Below**	**254.1**	214.0	204.0
	10.4	Provision for Unusual Costs and Reorganization Expense *(Note 16)*	**170.8**	5.1	28.5
(2.2)	(1.6)	Income tax recovery *(Note 9)*	**(3.3)**	(8.8)	(10.1)
(1.4)	(6.9)	Equity in net income of finance subsidiaries	**(8.4)**	(15.5)	(22.7)
94.4	73.5	Loss from Continuing Operations	**413.2**	194.8	199.7
		Loss from Discontinued Operations *(Note 17)*			*25.5*
$ 94.4	$ 73.5	**Net Loss for the Period**	**$ 413.2**	$ 194.8	$ 225.2
		Loss per Common Share *(in U.S. Dollars) (Note 18)*			
$ 1.74	$ 1.84	Loss from Continuing Operations	**$ 8.95**	$ 8.60	$ 11.39
$ 1.74	$ 1.84	**Net Loss for the Period**	**$ 8.95**	$ 8.60	$ 12.79

*This item is the difference between cost of goods sold translated to U.S. dollars at average exchange rates and such costs translated at historical rates.

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Massey-Ferguson Limited

(Millions of U.S. Dollars)

Three months ended January 31 1983	1982 (Unaudited)		Years ended October 31 1982	1981	1980
$(5.7)	*$ (47.0)*	Cash provided by (used in) operations *(Notes 3 and 19 (c))*	$ 21.4	$ 27.3	$(420.2)
		OTHER SOURCES OF CASH			
		Investment transactions:			
		Disposal of investments in Associate Companies		24.2	41.7
4.9	*0.6*	Disposal of fixed assets	**11.5**	10.1	34.1
		Financing transactions:			
		Refinancing:			
	39.9	Issue of preferred shares (and warrants in 1981) *(Note 12)*	**78.8**	290.2	
		Interest waiver and conversion program			
		—contributed surplus (excluding $69.0 not affecting cash) *(Note 4(a))*		51.5	
1.3	*7.5*	—common shares issued *(Note 12)*	**18.5**	31.9	
(0.1)	*(0.1)*	Costs of restructure	**(0.4)**	(12.6)	
1.2	*47.3*	Total refinancing	**96.9**	361.0	
32.3	*18.4*	Increases in long-term debt	**52.2**	10.6	
	17.9	Increase in bank borrowings and current portion of long-term debt			504.3
38.4	*84.2*	**Total other sources of cash**	**160.6**	405.9	580.1
		OTHER USES OF CASH			
		Investment transactions:			
5.3	*7.5*	Additions to fixed assets	**47.4**	43.6	46.2
6.7	*0.1*	Increase in other assets	**13.4**	5.7	4.8
0.3	*0.3*	Investment in unconsolidated finance subsidiaries and Associate Companies	**0.7**	7.2	0.4
2.2	*1.9*	Other	**3.6**	2.8	2.4
		Financing transactions:			
5.8	*17.9*	Reductions in long-term debt	**39.4**	92.0	67.1
23.6		Reduction in bank borrowings and current portion of long-term debt (excluding $42.9 at January 31, 1983 pertaining to previously consolidated subsidiary and $648.3 in 1981 converted to long-term debt)	**12.2**	261.4	
	9.6	Cash dividends paid	**22.4**	11.5	
43.9	*37.3*	**Total other uses of cash**	**139.1**	424.2	120.9
(11.2)	*(0.1)*	(Decrease) increase in cash during the period	**42.9**	9.0	39.0
108.1	*65.2*	**Cash at beginning of period**	**65.2**	56.2	17.2
$ 96.9	*$ 65.1*	**Cash at end of period**	**$ 108.1**	$ 65.2	$ 56.2

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Massey-Ferguson Limited

(Millions of U.S. Dollars)	Preferred Shares Number	Preferred Shares Amount	Common Shares Number	Common Shares Amount	Other Paid-in Capital	Contributed Surplus	(Deficit) Retained Earnings	Total Shareholders' Equity
Balance, October 31, 1979	3,824,800	$ 95.8	18,250,350	$ 176.9		$ 1.3	$ 304.3	$ 578.3
Net loss, 1980							(225.2)	(225.2)
Balance, October 31, 1980	3,824,800	95.8	18,250,350	176.9		1.3	79.1	353.1
Reduction of common share stated capital by transfer to contributed surplus *(Note 12)*				(100.0)		100.0		
Common stock dividend on Series A and B preferred shares *(Note 13)*			9,144,412	27.5		(27.7)		(0.2)
Issue of preferred shares *(Note 12)*								
Series C	3,600,000	74.7						74.7
Series D	8,000,000	166.0						166.0
Series E	2,088,000	43.3						43.3
Issue of common share warrants with Series D preferred shares *(Note 12)*						6.2		6.2
Interest waiver and conversion program *(Notes 4(a) and 12)*			15,630,594	31.9		120.5		152.4
Costs of restructure						(12.6)		(12.6)
Dividends on preferred shares *(Note 13)*						(17.9)		(17.9)
Purchase of Series A and B preferred shares *(Note 12)*	(50,100)	(1.3)				0.8		(0.5)
Net loss, 1981							(194.8)	(194.8)
Balance, October 31, 1981	17,462,700	378.5	43,025,356	136.3		170.6	(115.7)	569.7
Reduction of common share stated capital by transfer to contributed surplus *(Note 12)*				(140.0)		140.0		
Issue of preferred shares *(Note 12)*								
Series C	2,400,000	49.9						49.9
Series E	1,392,000	28.9						28.9
Interest waiver and conversion program *(Notes 4a and 12)*			13,525,681	21.0		(2.5)		18.5
Costs of restructure						(0.4)		(0.4)
Dividends on preferred shares *(Note 13)*						(16.0)		(16.0)
Purchases of Series A and B preferred shares *(Note 12)*	(118,700)	(2.9)				2.1		(0.8)
Net loss, 1982							(413.2)	(413.2)
Balance, October 31, 1982	21,136,000	454.4	56,551,037	17.3		293.8	(528.9)	236.6
Interest waiver and conversion program (Notes 4(a) and 12)			837,712	1.3				1.3
Costs of restructure						(0.1)		(0.1)
Net loss, three months ended January 31, 1983							(94.4)	(94.4)
Balance, January 31, 1983	21,136,000	454.4	57,388,749	18.6		293.7	(623.3)	143.4
Pro Forma								
Interest waiver and conversion program *(Notes 4(b) and 12)*			4,142,973	13.4	$ 8.7	99.1		121.2
Principal forgiveness and conversion *(Notes 4(b) and 12)*			26,520,772	55.8		92.3		148.1
Costs of restructure *(Note 4(b))*						(7.3)		(7.3)
Interest on debt *(Note 4(b))*							(4.8)	(4.8)
Pro Forma Balance, January 31, 1983	21,136,000	$454.4	88,052,494	$87.8	$ 8.7	$477.8	$(628.1)	$400.6

(See accompanying Notes to Consolidated Financial Statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Massey-Ferguson Limited

(In U.S. Dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management following accounting policies generally accepted in Canada. Except as indicated in Note 19(a), they are also in conformity, in all material respects, with accounting policies generally accepted in the United States. The consolidated financial statements are presented in U.S. dollars. This currency best reflects the economic environment in which the Company operates and provides for a more meaningful measurement of operating results in consideration of the international scope of its operations. Such presentation also affords a better basis of comparison with major companies in the industry, the larger of which are U.S. based and report their results in U.S. dollars. The Company publishes its financial statements for all shareholders in U.S. dollars and there are no material exchange restrictions or controls in Canada relating to the U.S. dollar.

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of all subsidiary companies except the wholly owned Brazilian subsidiary and the wholly owned finance subsidiaries. The assets and liabilities of the Brazilian subsidiary have been deconsolidated as at January 31, 1983 as explained in Note 5 and the operations are included in the consolidated statements of income. The investment in shares of the finance subsidiaries is presented in the Consolidated Balance Sheets at the equity in their net assets and their earnings have been included in the Consolidated Statements of Income. The combined statements of these subsidiaries are set out separately on pages 27 to 30. The Company considers that this basis of presentation for the finance companies is more informative than full consolidation since, among other reasons, it affords a basis of comparison with other major companies in the industry, the larger of which are U.S. based and do not consolidate their finance subsidiaries.

(b) Exchange Translation

The statements of companies whose accounts are maintained in other currencies have been translated into U.S. dollars substantially as follows: inventories carried at cost, non-current assets, certain prepaid expenses and deferred income taxes, and related charges or expenses, at historical rates of exchange; all other assets and liabilities, at exchange rates prevailing at the end of the year; income and expenses (other than those indicated above), at average rates for the year. Translation gains or losses are included in income.

(c) Sales and Receivables

Sales are recorded at the time of shipment to distributors, dealers and other customers. Receivables include non-interest bearing amounts due from dealers, some of which mature beyond one year (subject to earlier settlement when the product is sold by the dealer). These are included in current assets in accordance with accounting practice in the industry.

(d) Inventories

Inventories are valued at the lower of cost (primarily first-in, first-out) and net realizable value. Cost includes the cost of material plus direct labour applied to the product and the applicable share of manufacturing overhead expense.

(e) Fixed Assets

Additions to fixed assets are recorded at cost. Depreciation of facilities is provided on a straight-line basis in substantially all of the companies at rates which are designed to write off the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	3 to 10 years

Production tooling for new products and for major product changes is generally amortized over a three-year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements and minor product changes is charged against income at the time of purchase. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. (1983 (three months)–$6.3 million; 1982–$33.1 million; 1981–$44.6 million; 1980–$56.4 million).

When fixed assets are disposed of, their cost and related depreciation are removed from the accounts and any related gain or loss is included in income.

(f) Research and Development Costs

Research and development costs, most of which are included in Engineering and Product Development expenses, are expensed as incurred (1983 (three months)–$6.3 million; 1982–$33.8 million; 1981–$39.5 million; 1980–$43.8 million). There are no significant amounts of development costs that qualify for deferral under accounting principles generally accepted in Canada.

(g) Pensions

The majority of employees are covered by government and Company pension plans. All Company plans are defined benefit plans. Pension expense includes amounts for current service costs and amortization of past service costs, changes in actuarial liability due to changes in plans and in actuarial assumptions and experience gains and losses over approximately 15 to 25 years. (See Note 11(e).)

(h) Income Taxes

The Company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable income (which can occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) can result in deferred or prepaid taxes.

Investment tax credits are accounted for using the flow-through method.

The benefits of loss carry-forwards are generally not recognized until realized. The multinational nature of operations is such that, on a continuing basis, certain subsidiaries are incurring losses (without recognition of the potential carry-forward tax benefits) at the same time that other subsidiaries are realizing the tax benefit of previous losses. On a consolidated basis these annually recurring tax recoveries, to the extent that they do not exceed the unrecognized tax benefit of losses incurred in the same period, are not considered to be extraordinary in nature and are accordingly reflected as a reduction of current income tax charges when realized.

The Company provides for taxes on dividends anticipated in the future from accumulated earnings of subsidiary companies.

2. CHANGE IN YEAR END

Effective November 1, 1982, the Company has changed its year end from October 31 to January 31. For comparative purposes, the Company has presented unaudited Consolidated Statements of Income and unaudited Consolidated Statements of Changes in Financial Position for the three months ended January 31, 1982.

3. CHANGE IN DEFINITION OF FUNDS

In 1982, the Company has redefined funds as cash instead of working capital. This definition is preferable because it reflects the results of its operating, investing and financing activities more clearly. The Consolidated Statements of Changes in Financial Position for the three months ended January 31, 1982 (unaudited) and for the years ended October 31, 1981 and 1980 have been restated on a comparable basis.

4. REFINANCING

(a) July 16, 1981–

(i) On July 16, 1981 the Company agreed to a refinancing program with its lenders under which the lenders agreed, among other things to waive all earlier defaults and to leave substantially all of the Company's credit facilities in place for three years from that date. As a result, $648.3 million of otherwise short-term debt was converted to long-term.

(ii) Many of the Company's lenders also agreed to participate in an interest waiver and conversion program under which they contributed approximately $230.0 million to the Company's equity by agreeing to acquire 35,552,816 common shares, or rights to receive common shares (of which rights to receive 4,345,999 shares were subsequently surrendered upon the inception of the new refinancing program described in (b) below) and by reducing interest on debts owing to them. The share purchase portion of this program was recorded as the shares were issued; the interest reduction portion,

which has also been treated as a capital transaction, was recorded as a contribution to surplus on July 16, 1981. The part of this contribution relating to interest accrued to July 16, 1981 ($51.5 million) was charged to interest payable, and the fair value on that date of the part relating to interest that would otherwise have accrued subsequently ($69.0 million) was deducted as a discount from the applicable debt. The debt discount has been amortized to interest expense over the life of the program, which was substantially completed by January 31, 1983. (See Note 19 (a)).

(iii) The agreements provided for covenants by Massey-Ferguson Limited and its major subsidiaries (including the finance subsidiaries) both on a consolidated basis and by individual subsidiary. At October 31, 1981 the Company was in compliance with all of these covenants except for certain undertakings with respect to the collection of inter-company accounts and the failure of a finance subsidiary to repay a $2.5 million Senior Note maturity when due. During 1982 the Company and certain of its subsidiaries failed to comply with other covenants, including those requiring minimum levels of net worth and ratios of debt to equity. Effective June 1, 1982 the Company stopped paying interest on the majority of its long-term debt. These conditions of non-compliance continued through March 7, 1983.

(b) March 7, 1983–

(i) On March 7, 1983 the Company agreed to a new refinancing program with its lenders, the principal elements of which are:

1) The repayment of part of the principal amount of certain loans in cash.
2) Settlement of part of the principal amount of certain loans, and of part of the interest accrued and unpaid at March 7, 1983, and to accrue subsequently, by the issuance of:
   –common shares of Massey-Ferguson Limited and in some cases,
   –preference shares of certain debtor subsidiaries, and a right to exchange such shares for an equal number of common shares of Massey-Ferguson Limited.
3) Contribution by way of forgiveness of a further part of the principal amount of certain loans and by way of waiver of the balance of interest accrued and unpaid at March 7, 1983, and of interest up to a defined amount that would otherwise accrue subsequently.
4) Renegotiation of debt covenants and waiver of all earlier defaults.
5) The provision of additional credit facilities by certain lenders and a rescheduling of the maturity dates of substantially all debt (see Pro-Forma information in Note 10).
6) The pledging of substantially all of the Company's assets as collateral for debt.

In addition, the holders of the Company's Series C and E preferred shares agreed to waive their dividend entitlements up to 15% of the stated value of such shares aggregating Cdn. $36 million. The holders of the Series D preferred shares agreed to accept common shares of Massey-Ferguson Limited in lieu of cash dividends up to 30% of the stated value of these shares, aggregating Cdn. $60 million.

(ii) The accompanying Pro-Forma Consolidated Balance Sheet, Pro-Forma section of the Consolidated Statements of Changes in Shareholders' Equity and Pro-Forma information in Note 10, give effect as of January 31, 1983, to the following transactions which took place on March 7, 1983, as a result of the new refinancing agreements:

1) Repayment of $37.5 million principal amount of certain loans in cash.
2) Settlement of $55.8 million principal amount of certain loans and $22.1 million of accrued and unpaid interest at March 7, 1983, by the issuance or prospective issuance of:
   –30,663,745 common shares of Massey-Ferguson Limited (stated value, $69.2 million).
   –preference shares (including shares whose issue is deferred) of certain subsidiaries (minority interest, nominal amount).
   –rights to exchange such preference shares for 4,875,138 common shares of Massey-Ferguson Limited (other paid-in capital, $8.7 million).
3) Contribution to surplus of $124.3 million by way of forgiveness of $104.0 million principal amount of certain loans (less $11.7 million of previously unamortized discount on debt relating to such principal amount), and by way of waiver of $32.0 million of interest accrued and unpaid at March 7, 1983.
4) Contribution to surplus of $68.0 million, being the fair value of interest that would have accrued after March 7, 1983 and that has been waived. Such contribution has been deducted as a discount from the applicable debt.
5) conversion of $40.6 million of long-term debt to short-term debt.
6) Provision of $7.3 million for estimated costs of restructure by charge to contributed surplus.
7) Provision of interest on debt for the period February 1 to March 7, 1983 (deficit, $4.8 million).

Certain of the effects of the March 7, 1983 refinancing, which are accounted for in the Pro-Forma financial statements and notes in a manner consistent with that followed for the earlier financing, would be accorded different treatment under accounting principles generally accepted in the United States. These differences are set out in Note 19(a).

(iii) The new refinancing program contemplates the issuance of up to 65,523,855 additional common shares of Massey-Ferguson Limited, either directly, or indirectly through the exercise of rights and contingent rights to receive such shares by way of exchange or otherwise. The Company has agreed to qualify these additional shares for trading.

(iv) The preference shares to be issued under the program by certain subsidiaries will not be entitled to vote or receive dividends, will have a nominal par or stated value and issue price, and, except as indicated below, will be entitled on redemption, retraction on September 30 1991, or liquidation, to receive no more than such nominal value and issue price. In the event of redemption, retraction or liquidation while any of the series C and E preferred shares of Massey-Ferguson Limited are still outstanding, the holders of the subsidiary company preference shares issued to date will be entitled to receive $1.7 million.

(v) Certain of the lenders who have contributed by waiver of interest accrued and unpaid at March 7, 1983 and interest to accrue subsequently are entitled to receive common shares of Massey-Ferguson Limited or debentures convertible to common shares in Massey-Ferguson Limited if certain conditions relating to profitability of the Company and one of the debtor subsidiaries are achieved. The maximum number of common shares that may be issued by reason of these entitlements is 5,260,317.

(vi) Two of the lenders are entitled to be reinstated as creditors of the related subsidiary for all the interest accrued and unpaid at March 7, 1983, and settled through issue of preferred shares and rights to acquire common shares and waiver, in the event of the involuntary liquidation of the Company or the subsidiary before the completion of the interest waiver and conversion portion of the new refinancing program. The Company's contingent liability in respect of these entitlements is $16.2 million at March 7, 1983.

(c) Covenants and Undertakings

The new refinancing program comprises numerous agreements entered into by Massey-Ferguson Limited and its major subsidiaries (including the finance subsidiaries) with substantially all of the Company's lenders. Most of these agreements provide for covenants by Massey-Ferguson Limited on a consolidated basis as well as by the subsidiary. The agreements also contain provisions so that a default in any one agreement may result in an acceleration of debts under that agreement and through various cross-default provisions may cause acceleration of substantially all indebtedness (including that of the finance subsidiaries), cessation of the interest waiver and conversion program and reinstatement of certain debt obligations described earlier. See also Note 11(a).

If the new refinancing program had been in place on January 31, 1983, the Company would have been in compliance with all of the revised covenants and undertakings at that date. The Company believes that it will remain in compliance with such covenants and undertakings throughout the fiscal year ending January 31, 1984.

5. INVESTMENT IN BRAZILIAN SUBSIDIARY

The Company is well advanced in negotiations with certain governmental agencies and third party investor groups in Brazil which will result in Massey-Ferguson Limited reducing to a minority interest its holdings in the Brazilian subsidiary. As a consequence of this plan, the Brazilian subsidiary's assets and liabilities have been deconsolidated as at January 31, 1983. The carrying value of the investment of $11.4 million approximates the estimated value of its prospective minority interest.

6. RECEIVABLES

(a) Receivables are presented net of the following provisions:

	January 31 1983	October 31 1982	1981
	(Millions of U.S. Dollars)		
Allowance for doubtful notes and accounts	*$17.9*	**$17.6**	$11.7
Discounts, volume and performance bonuses, returns and other allowances	*49.0*	**47.7**	65.7
Unearned interest	*1.8*	**2.1**	3.1
	$68.7	**$67.4**	$80.5

(b) Non-interest bearing wholesale receivables from dealers maturing beyond one year of $19.5 million at January 31, 1983 ($45.4 million and $225.7 at October 31, 1982 and 1981 respectively) are included in accounts receivable.

7. SHORT-TERM FINANCING

The Company had the following lines of credit:

	January 31 1983	October 31 1982	1981
	(Millions of U.S. Dollars)		
(a) Total short-term lines of credit	*$231.2*	**$280.0**	$329.1
(b) Discounting facilities included in (a)	*161.3*	**178.6**	262.2
(c) Unused lines of credit:			
–discounting (included in (b))	*83.3*	**77.0**	152.7
–other	*34.1*	**26.9**	19.7
Total unused	*117.4*	**103.9**	172.4

Discounting facilities are available without reduction until June 1984 (1986 under the March 7, 1983 refinancing agreements) and they are classified as short-term since the receivables discounted have terms of less than one year and there is no assurance that they will be replaced at maturity.

8. ACCRUED CHARGES

Accrued charges consist of:

	January 31 1983	October 31 1982	1981
	(Millions of U.S. Dollars)		
Employee costs	*$ 66.7*	**$ 79.5**	$100.2
Interest	*40.7*	**30.8**	16.0
Unusual costs and reorganization expense	*39.5*	**41.9**	22.9
Dealer commissions	*14.3*	**20.6**	28.9
Other	*109.0*	**125.3**	130.1
	$270.2	**$298.1**	$298.1

9. INCOME TAXES

Deferred income taxes are presented on the Consolidated Balance Sheets as follows. Net current deferred tax debits of $20.5 million at January 31, 1983 (October 31, 1982 and 1981–$23.6 million and $21.9 million respectively), resulting from current timing differences between taxable and reported income, are grouped with Prepaid expenses and other current assets. Non-current deferred income taxes resulting primarily from capital cost allowances claimed for tax purposes in excess of depreciation and amortization recorded in the accounts, are shown separately.

The relationship between tax recovery and pre-tax accounting loss is affected by the variety of tax rates in the many countries in which the Company operates as well as by investment, loss carry-forward and other tax credits. In addition, the relationship is significantly affected by the fact that the unrealized tax benefits of operating losses have not been recognized. Income tax recoveries for the three months ended January 31, 1983, and for the year ended October 31, 1982 were not significantly affected by tax credits arising from prior years' losses and other tax adjustments relating to prior years. Tax recoveries were increased as a result of such credits and adjustments by $4.2 million ($0.17 per common share) in 1981 and $3.8 million ($0.21 per common share) in 1980.

At January 31, 1983, certain companies had tax losses aggregating $1,035.9 million available to be carried forward for which potential recoveries have not been recognized in the accounts. These loss carry-forwards expire as follows: 1983– $15.6 million; 1984–$76.4 million; 1985–$82.0 million; 1986–$98.5 million; 1987 and beyond–$763.4 million. At current tax rates, the tax recoveries, if realized, would amount to approximately $495.6 million. Due to the continuing losses, the deferred tax debits relating to timing differences of $136.4 million at January 31, 1983 have not been recorded. As a result of the March 7, 1983 refinancing the tax loss carry-forwards available may be reduced.

The components of pre-tax loss and income tax recovery and the analysis of timing differences, all of which pertain to continuing operations, are as follows:

	Three months ended January 31 1983	Years ended October 31 1982	1981	1980
	(Millions of U.S. Dollars)			
Pre tax loss:				
Domestic	*$24.4*	**$ 88.3**	$ 42.1	$ 3.4
Foreign	*73.6*	**336.6**	177.0	229.1
Total	*$98.0*	**$424.9**	$219.1	$232.5
Income tax recovery (expense):				
Foreign Taxes:				
Current	*$ 5.4*	**$ 2.0**	$ 8.6	$ 4.3
Deferred	*(3.2)*	**1.3**	0.2	5.8
	$ 2.2	**$ 3.3**	$ 8.8	$ 10.1
Timing differences:				
Exchange adjustments	*$ (0.1)*	**$ (0.1)**	$ (1.1)	$ 1.6
(Deficiency) excess of book over tax depreciation			(0.7)	2.2
Other	*(3.1)*	**1.4**	2.0	2.0
	$ (3.2)	**$ 1.3**	$ 0.2	$ 5.8

Income tax recoveries differ from the amount computed by applying the Canadian tax rate on manufacturing and processing losses to losses from continuing operations. The difference between the Canadian statutory tax rate of 44.5 per cent on manufacturing and processing losses and the effective tax recovery rate is primarily due to tax benefits not having been recorded on losses.

No provision has been made for taxes on undistributed earnings of foreign subsidiaries of approximately $23.7 million as such earnings are considered reinvested on a long term basis.

At January 31, 1983, unused investment tax credits amounted to $11.0 million.

10. LONG-TERM DEBT

Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending January 31 (i.e. fiscal 1983 represents the period February 1, 1983 to January 31, 1984).

	Pro Forma January 31 1983 (Note 4(b)) Maturity	Amount	*January 31* **1983**	October 31 1982	1981
	(Millions of U.S. Dollars)				
(i) Bonds, debentures, notes and loans:					
Massey-Ferguson Perkins S.A. (Brazil):					
Bank loans maturing 1984-90 repayable in U.S. dollars bearing interest at ¾%–2¼% above Eurodollar interbank rate (j)				$ 27.3	$ 14.3
Massey-Ferguson Limited (Canada):					
Promissory Note maturing 1984-87 repayable in U.S. dollars bearing interest at prime rate for U.S. dollar loans in Canada (a)	1988	$13.2	**$13.2**	13.2	13.2
Massey-Ferguson Industries Limited (Canada):					
Revolving term credit maturing 1984-87 bearing interest at Canadian prime rate ((a) and (c))	1986-88	128.8	**143.1**	134.0	106.2
Promissory Note maturing 1984-87 repayable in U.S. dollars bearing interest at prime rate for U.S. dollar loans in Canada (a)	1986-88	14.1	**14.1**	14.1	14.1
Massey-Ferguson S.A. (France):					
Bank loans maturing 1984-87 bearing interest at 2.2% above French base rate (a) and (b)	1986-88	40.8	**40.8**	39.3	51.0

Massey-Ferguson GmbH (Germany):					
Bank loans maturing 1983-87 bearing interest at German prime rate ((a) and (b))	1984-87	49.2	**52.4**	50.0	59.0
Massey-Ferguson S.p.A. (Italy):					
Bank loan maturing 1984-87 repayable in U.S. dollars bearing interest at 1.3% above Eurodollar interbank rate (a)	1988	10.0	**10.0**	10.0	10.0
Massey-Ferguson Holdings Limited (United Kingdom):					
7½% Loan Stock maturing 1987-92 (a)	1987-92	12.1	**12.1**	13.4	14.9
Bank loans maturing 1991 repayable in U.S. dollars bearing interest at 1½% above Eurodollar interbank rate (i)	1991	23.0			
Massey-Ferguson-Perkins Limited (United Kingdom):					
Bank loans maturing 1984-87 bearing interest at 1% above London interbank market rate (a)	1986-88	27.3	**27.3**	11.4	17.7
Bank loans maturing 1984-87 bearing interest at ¼% above various London interbank market rates (a)	1986-88	53.6	**53.6**	59.0	65.7
Massey-Ferguson Inc. (U.S.A.):					
8.55% Promissory Notes maturing 1984-87 (a)	1983-87	20.0	**21.6**	21.6	21.6
5⅞% Subordinated Notes maturing 1984-87 (a)			**10.4**	10.4	10.4
Revolving term credit maturing 1984-87 bearing interest at U.S. prime rate plus commitment, availability and usage fees ((a) and (d))	1983-87	175.9	**190.2**	190.2	190.2
Massey-Ferguson (Delaware) Inc. (U.S.A.):					
9% Senior Notes maturing 1984-97 (a)	1983-89	141.7	**150.0**	150.0	150.0
General Purpose Loans:					
9½% Bonds maturing 1991 repayable in U.S. dollars (e)	1983-91	52.5	**52.5**	52.5	57.0
9¾% Sinking Fund Debentures maturing 1982 repayable in U.S. dollars					28.0
Bank loans maturing 1984-87 repayable in U.S. dollars bearing interest at 1½% above Eurodollar interbank rate ((a) and (i))	1983	0.9	**35.0**	35.0	35.0
Bank loans maturing 1984-87 repayable in various Euro-currencies bearing interest at 1¼% above applicable Euro-currency rate (a)	1983-85	26.0	**26.0**	25.6	27.1
Other *((a) and (f))*		57.2	**59.0**	62.4	97.0
		846.3	**911.3**	919.4	982.4
(ii) Convertible Subordinated Notes:					
Massey-Ferguson (Delaware) Inc. (U.S.A.):					
10% Convertible Subordinated Notes maturing 1988-1992 (a)			**147.0**	147.0	147.0
		846.3	**1,058.3**	1,066.4	1,129.4
Less: Discount on Debt (a)		*(68.0)*	**(14.0)**	(20.0)	(56.0)
		778.3	**1,044.3**	1,046.4	1,073.4
Current portion of long-term debt		*(59.6)*	**(19.0)**	(21.8)	(42.1)
		718.7	**1,025.3**	1,024.6	1,031.3

(a) These loans participated in the March 7, 1983 refinancing program and also participated in the July 1981 program (see note 4). The pro forma information reflects the revised maturity terms under the new agreements and the impact of the accounting for the principal conversion and new interest waiver and conversion program. Also the 7½% loan stock was changed to 7½% debenture stock. Under this refinancing program substantially all of the assets of the subsidiaries are pledged as collateral for these loans.

(b) Under the March 7, 1983 refinancing agreements, these lenders are entitled to receive common shares in Massey-Ferguson Limited or obligations of the debtor subsidiary convertible into common shares of Massey-Ferguson Limited, under certain conditions. See Note 4 (b) (v).

(c) Massey-Ferguson Industries Limited and Massey-Ferguson Finance Company of Canada Limited have a joint bank revolving term credit facility of $255.2 million (Cdn.) as at January 31, 1983 and October 31, 1982. Under the March 7, 1983 refinancing program, borrowings in excess of Cdn. $133.0 million in Massey-Ferguson Industries Limited do not participate in the interest waiver and conversion program.

(d) The revolving term credit lines in Massey-Ferguson Inc. require compensating balances to be maintained, averaging a fixed percentage of the line and its usage, or the payment of a fee in lieu thereof as agreed with individual banks. The average amount of monthly balances required for calendar year 1982 and for the month of January, 1983 was $32.9 million. The amounts on deposit (on which there were no compensating balance restrictions) were:

	(Millions of U.S. Dollars)		
	Three months ended January 31 1983	Years ended October 31 1982	1981
Average amount on deposit	***$42.4***	$31.6	$38.3
Amount on deposit at year end	***$28.1***	$73.3	$17.7

(e) The Company is obligated to purchase for cancellation up to $4.5 million of these bonds each year to 1986 if the market price falls below par value during the period March 1 to May 31.

(f) Other long-term debt includes amounts each of which is less than $10.0 million.

(g) Unused lines of credit at January 31, 1983 were $27.8 million ($49.5 million and $53.9 million at October 31, 1982 and 1981, respectively): Included in the amount of unused lines of credit at January 31, 1983 is $17.1 million ($17.7 million and $29.0 million at October 31, 1982 and 1981, respectively), which relates to the unused portion of a revolving term credit which is available to either Massey-Ferguson Industries Limited or Massey-Ferguson Finance Company of Canada Limited.

As a result of the March 7, 1983 refinancing agreements, unused lines of credit have been increased to $42.1 million, including $31.4 million which relates to the unused portion of the revolving term credit as explained in the preceding paragraph.

A commitment fee of ½% is payable on any unused facilities in the United States.

(h) Sinking fund requirements and debt maturities after reflecting the reschedulings under the March 7, 1983 agreements during the next five years are as follows: 1983 (i.e. fiscal year ending January 31, 1984)–$59.6 million; 1984–$119.6 million; 1985–$98.5 million; 1986–$81.8 million; 1987–$146.1 million.

(i) These loans were transferred from General Purpose Loans to Massey-Ferguson Holdings Limited as part of the March 7, 1983 refinancing agreements.

(j) The Brazilian subsidiary has been deconsolidated at January 31, 1983. See Note 5 for further details.

11. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Under the refinancing agreements the Company and almost all the subsidiaries have each agreed to maintain assets and net worth at specified relationships to their respective indebtedness and to maintain certain minimum levels of working capital and net worth. The required proportion of assets and net worth to indebtedness and the amounts of net worth and minimum working capital increase periodically. The agreements also contain numerous clauses pertaining to operational matters such as borrowing levels, intercompany trade terms, intercompany loans etc. The agreements generally provide that dividends up to 75% of the net profits accruing after August 1, 1981 may be distributed by the subsidiaries subject to the maintainence of the specified relationships, and in some cases after obtaining prior written approval of the lenders to that subsidiary. See also Note 4(b) and (c).

(b) Massey-Ferguson Limited has guaranteed a major portion of the money borrowed by its consolidated subsidiaries and the unconsolidated finance subsidiaries. Substantially all of the consolidated net assets of the subsidiaries are restricted against transfer to Massey-Ferguson Limited, under the covenants contained in the refinancing agreements.

(c) Contingent liabilities relating to notes receivable discounted and bills guaranteed, etc., were $47.8 million at January 31, 1983 ($47.2 million and $39.6 million at October 31, 1982 and 1981 respectively).

(d) Approved capital expenditure programs outstanding at January 31, 1983 were $30.4 million ($45.2 million and $72.1 million at October 31, 1982 and 1981, respectively) including capital commitments of approximately $14.0 million ($14.3 million and $28.7 million at October 31, 1982 and 1981, respectively).

(e) Pension expense, including amortization of past service costs, and expenses of Government plans, was $10.6 million for the three

months ended January 31, 1983 ($55.2 million, $67.2 million and $88.0 million for the years ended October 31, 1982, 1981 and 1980 respectively). In accordance with recommendations received from independent actuaries in 1982, 1981 and 1980, certain assumptions affecting the actuarially computed value of pension benefits accruing to certain employees were revised with the effect of reducing pension expense by approximately $1.6 million in the year ended October 31, 1982 ($4.3 million ($0.17 per common share in 1981) and $9.9 million ($0.54 per common share in 1980)). According to the latest valuations as of October 31, 1981, the actuarially computed value of past service obligations exceeded the market value of pension fund assets and balance sheet accruals by approximately $33.0 million ($30.0 million in 1981) of which $23.4 million ($20.1 million in 1981) was vested.

12. SHARE CAPITAL

The authorized share capital of the Company consists of common shares, preferred shares and junior preferred shares, each class without limit as to number. At the Shareholders Meetings on April 28, 1981 and January 29, 1982, the Shareholders approved transfers of $100.0 million and $140.0 million respectively, from the common share capital account to the contributed surplus account.

Shares issued and outstanding are summarized below:

(Millions of U.S. Dollars)

	Pro Forma January 31 1983 (Note 4(b))		*January 31 1983*		October 31 **1982**		October 31 1981	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Preferred Shares $2.50 (Cdn.)								
Cumulative Redeemable Preferred Shares								
Series A	1,458,500	*$ 35.7*	1,458,500	**$ 35.7**	1,458,500	**$ 35.7**	1,506,200	$ 36.9
Series B	2,197,500	*55.9*	2,197,500	**55.9**	2,197,500	**55.9**	2,268,500	57.6
$25.00 (Cdn.) Stated Value Cumulative Redeemable Retractable Convertible Preferred Shares								
Series C (Authorized–6,000,000)	6,000,000	*124.6*	6,000,000	**124.6**	6,000,000	**124.6**	3,600,000	74.7
Series E (Authorized–3,480,000)	3,480,000	*72.2*	3,480,000	**72.2**	3,480,000	**72.2**	2,088,000	43.3
$25.00 (Cdn.) Stated Value Cumulative Redeemable Retractable Preferred Shares								
Series D (Authorized–8,000,000)	8,000,000	*166.0*	8,000,000	**166.0**	8,000,000	**166.0**	8,000,000	166.0
		$454.4		**$454.4**		**$454.4**		$378.5
Common Shares	88,052,494	*$ 87.8*	57,388,749	**$ 18.6**	56,551,037	**$ 17.3**	43,025,356	$136.3

All of the outstanding Series C, D and E shares were issued in 1982 and 1981 (as shown in the Consolidated Statements of Changes in Shareholders' Equity) for cash and previously outstanding debt as part of the July 1981 refinancing.

Dividends on the Series A and B shares are payable quarterly at the annual rate of $2.50 per share. Under the March 7, 1983 refinancing program, dividends on the Series C, D and E shares are also payable quarterly, at the following rates:

Series C–½% plus 52% of the Canadian bank prime rate
Series D–1⅜% plus 50% of the Canadian bank prime rate
Series E–⅞% plus 52% of the Canadian bank prime rate

The Company suspended payment of dividends on preferred shares effective June 1, 1982. As indicated in Note 4 (b), under the refinancing program of March 7, 1983, the Series C and E Shareholders have agreed to waive dividends of 15% of the stated value of these shares (i.e. up to Cdn. $3.75 per share). The Series D Shareholders have agreed to accept common shares of the Company in lieu of cash dividends, up to 30% of the stated value of the series D shares (i.e. up to Cdn. $7.50 per share). The aggregate cumulative dividends in arrears at January 31, 1983 after giving effect to waivers under the March 7, 1983 agreements were $15.3 million, comprising:

Series A shares– $2.2
Series B shares– $3.3
Series D shares–$9.8 (to be settled in common shares of the Company as and when declared by the Board of Directors).

The Series A (issued 1975) and the Series B (issued 1976) preferred shares may be redeemed commencing five years after issue at the option of the Company, at a premium of $1.25 (Cdn.) per share, such premium reducing by $0.25 (Cdn.) per share annually for five years, and thereafter at $25.00 (Cdn.) per share. Except when preferred share dividends are in arrears, the Company is obligated to purchase in the open market up to 6,700 Series A and 10,000 Series B preferred shares per month if the price falls below $25.00 (Cdn.) per share, up to a maximum of 200,400 shares in any one year. The Company is precluded from making such purchases if dividends are in arrears. In 1982, the Company purchased 47,700 Series A and 71,000 Series B shares (20,100 Series A and 30,000 Series B in 1981) in the open market thereby reducing preferred share capital by $2.9 million, ($1.3 million in 1981) at a cost of $0.8 million ($0.5 million in 1981). The difference of $2.1 million and $0.8 million in 1982 and 1981 respectively were included in contributed surplus.

The Company may at any time redeem or purchase for cancellation all or any part of the Series D shares at a price not exceeding $25.00 (Cdn.) per share plus all accrued and unpaid dividends. Following the redemption or cancellation of all the Series D shares, the Company may, at any time, redeem or purchase for cancellation, all or any part of the Series C and E shares at a price not exceeding $25.00 (Cdn.) per share, plus accrued and unpaid dividends. The Series C and E Shareholders are also entitled to require an earlier redemption after the Series A and B shares are redeemed if Series D Shareholders give consent and if certain levels of income are achieved. Series C, D and E shares are retractable at the option of the shareholders on May 31, 1991. After June 30, 1991 the Company is required to purchase 1% of the Series D shares each quarter at a price not exceeding $25.00 (Cdn.) per share.

The Series C and E shares are convertible to common shares at any time after April 30, 1982 and prior to the close of business on May 31, 1991 at a conversion price of $7.50 (Canadian) and $5.50 (Canadian) per common share, respectively.

During 1982 and 1981 the Company issued common shares for cash at varying prices under the interest waiver and conversion programs as detailed in the Consolidated Statements of Changes in Shareholder's Equity. In 1981 the Company also issued 25 million common share warrants at $0.50 (Cdn.) each to Series D preferred shareholders net of related costs of $4.2 million. The warrants are exercisable on and after April 1, 1982, up to and including May 31, 1991 at $5.00 (Cdn.) per share. Each warrant exercised on or before May 31, 1983 will entitle the holder to receive one common share and one additional warrant. The additional warrant will have the same terms as the original warrant except that it will be exercisable at $4.00 (Cdn.) per share up to and including May 31, 1984, and $5.00 (Cdn.) per share thereafter. Proceeds of warrants exercised must be used to redeem Series D shares.

There are no stock options for common shares outstanding.

13. DIVIDENDS

The Company is precluded from declaring any cash dividends on common shares as follows:

(i) Covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50% of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and requires that the Company is in compliance with all its covenants and undertakings.

(ii) Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after January 31, 1983 exceeds approximately $675 million.

(iii) An agreement with the Governments of Canada and Ontario, which could remain in effect until June 30, 1991 prevents the declaration of common share dividends without the written consent of these Governments.

During 1982 the Company declared dividends of $1.6 million, $1.1 million, $4.2 million, $6.6 million and $2.5 million on series A, B, C, D and E shares respectively. On June 30, 1981 the Company issued 9,144,412 common shares at $3.61 (Cdn.) each in settlement of dividend arrears to that date on series A and B preferred shares. 1981 dividends declared on preferred shares are as follows: Series A, $11.9 million (including stock dividends of $10.9 million); Series B, $19.1 million (including stock dividends of $16.8 million); Series C, $3.5 million; Series D, $8.9 million; Series E, $2.2 million.

The refinancing agreements restrict the ability of the subsidiaries to remit dividends to the Company. See Note 11(a) and (b).

14. BUSINESS SEGMENT INFORMATION

The Company operates in two industry segments: Farm and Industrial Machinery, involving the manufacture and sale of farm and industrial tractors, farm balers, harvesters, other agricultural implements and industrial loaders, and Engines, involving the production and sale of multi-cylinder, multi-purpose diesel engines. Intersegment and interregional sales are accounted for at prices which the Company believes approximate market.

Operations and identifiable assets by industry segment and geographic region are presented below:

(Millions of U.S. dollars)

For the three months ended January 31, 1983 and for the years ended October 31, 1982, 1981 & 1980.		Industry Segment: Farm and Industrial Machinery	Engines	Adjustments & Eliminations	Consolidated	Geographic Region: Canada	U.S.	Latin America	Europe & Other	Adjustments & Eliminations
Net sales to unaffiliated customers (includes intersegment sales for Industry Segment)	1983	$ 255	$ 82	$ (24)	$ 313	$ 13	$ 30	$ 44	$ 226	
	1982	1660	525	(127)	2058	147	362	262	1287	
	1981	2110	699	(163)	2646	202	589	344	1511	
	1980	2533	832	(233)	3132	232	832	371	1697	
Interregional sales:	1983				27	6	8	1	12	
	1982				299	125	75	5	94	
	1981				470	200	110	1	159	
	1980				639	281	125	2	231	
Unaffiliated customer and interregional sales:	1983				313	19	38	45	238	(27)
	1982				2058	272	437	267	1381	(299)
	1981				2646	402	699	345	1670	(470)
	1980				3132	513	957	373	1928	(639)
(Loss) profit before interest, exchange, general corporate expense allocation, unusual costs and reorganization expense, income taxes, equity in net income of finance subsidiaries and loss from discontinued construction machinery operations:	1983	(39)		(1)	(40)	(12)	(26)	5	(6)	(1)
	1982	(44)	44	(20)	(20)	(22)	(72)	42	52	(20)
	1981	31	45	(39)	37	27	(52)	57	44	(39)
	1980	118	63	(43)	138	48	(8)	36	105	(43)
Identifiable assets	1983	1363	235	(30)	1568	224	607		767	(30)
	1982	1557	306	(100)	1763	239	653	162	809	(100)
	1981	1928	337	(85)	2180	306	826	193	940	(85)
	1980	2135	425	(109)	2451	291	865	226	1178	(109)
Depreciation and Amortization	1983	10	4		14					
	1982	55	16		71					
	1981	62	19		81					
	1980	61	17		78					
Capital expenditures	1983	3	2		5					
	1982	28	19		47					
	1981	33	11		44					
	1980	30	16		46					
Provision for Unusual Costs and Reorganization Expense				General Corporate Expense and Associate Companies						General Corporate Expense and Associate Companies
	1983									
	1982	160	9	2	171	20	86	15	48	2
	1981	17	10	(22)	5	Nil	6	Nil	21	(22)
	1980	12	17	Nil	29	(1)	4	(1)	27	Nil

	Three Months Ended January 31 1983	Years Ended October 31 1982	1981	1980
(Loss) profit before items shown below	$ (40)	$ (20)	$ 37	$ 138
Interest expense, net	(43)	(187)	(265)	(240)
Exchange adjustments and foreign currency exchange rate changes in Cost of Goods Sold	(9)	(37)	29	(77)
General corporate expense, net	(6)	(10)	(15)	(25)
Loss before Provision for Unusual Costs and Reorganization Expense, Income Taxes, Equity in net income of finance subsidiaries and Loss from Discontinued Construction Machinery Operations	$ (98)	$ (254)	$ (214)	$ (204)
Identifiable assets	$1568	$1763	$2180	$2451
Discontinued Construction Machinery Operations				26
Investment in finance subsidiaries and Associate companies	222	210	210	190
Corporate Assets	53	96	113	161
Total assets	$1843	$ 2069	$ 2503	$ 2828

15. INTEREST EXPENSE AND EXCHANGE ADJUSTMENTS

Interest expense and interest income in the hyper-inflation economies of Brazil and Argentina include a substantial factor for inflation which bears a close relationship to the continuing devaluation of the local currencies against the U.S. dollar.

Interest on long-term debt and Other interest is therefore reported net of exchange gains and losses on interest-bearing local currency denominated assets and liabilities in these countries. The net exchange gain offset against Interest on long-term debt and Other interest is $3.1 million in the three months ended January 31, 1983 and $22.5 million in the year ended October 31, 1982 ($25.0 million, and $19.2 million in the years ended October 31, 1981 and 1980 respectively.)

Interest income of $8.3 million in the three months ended January 31, 1983 ($37.4 million in the year ended October 31, 1982; $37.0 million and $25.2 million in the years ended October 31, 1981 and 1980 respectively) which is net of the exchange adjustment described above, has been deducted from Other interest expense.

16. UNUSUAL COSTS AND REORGANIZATION EXPENSE

During the past five years, the Company has reported certain costs associated with various programs to restructure and rationalize its operations. The estimated net costs of these programs are presented in the Consolidated Statements of Income under the caption "Provision for Unusual Costs and Reorganization Expense". The principal components are:

	(Millions of U.S. Dollars) Years ended October 31 1982	1981	1980
Rationalization and realignment of manufacturing and other facilities:			
Manpower reductions and relocations	$ 61.2	$ 12.4	$ 30.8
Provisions for loss on inventory and other assets resulting from plant closures	53.2	12.9	1.7
Provisions for write down of fixed assets resulting from plant closures (net of gains on disposal of other fixed assets)	41.7	2.2	(9.0)
	156.1	27.5	23.5
Net loss (gain) on investments	14.7	(22.4)	5.0
	$ 170.8	$ 5.1	$ 28.5

17. DISCONTINUED OPERATIONS

Operating results for the construction machinery business which was sold in 1980, and provision for loss on disposition, are segregated from results of Continuing Operations and presented in the Consolidated Statements of Income as "Loss from Discontinued Operations". This item is summarized as follows:

	(Millions of U.S. Dollars) 1980
Net Sales	$ 89.4
Less: Costs and Expenses before item shown below	(98.5)
Loss on Disposal	(16.4)
Loss from Discontinued Operations	$ (25.5)

18. LOSS PER COMMON SHARE

Loss per common share has been calculated after deducting dividend entitlements on preferred shares, using the weighted monthly average number of common shares outstanding during the period (57,078,598 at January 31, 1983; 50,661,551 at October 31, 1982; 24,666,935 at October 31, 1981 and 18,250,350 in 1980).

As indicated in Note 4(b), Massey-Ferguson Limited has agreed to issue approximately 66 million common shares or rights to acquire common shares, under the March 7, 1983 refinancing agreements. The losses per common share for the three months ended January 31, 1983 and for the year ended October 31, 1982 on the basis that all these shares and rights were issued and outstanding at the beginning of the periods are $0.77 and $3.47 per common share respectively.

19. OTHER INFORMATION

(a) Reconciliation between Canadian and United States accounting principles

The interest reduction which formed part of the July 16, 1981 refinancing program and the costs of restructure have been treated in these consolidated financial statements as capital transactions, by way of a credit and a debit, respectively, to contributed surplus. The principal and interest reductions arising from the March 7, 1983 refinancing and the related restructure costs have been treated similarly in the pro-forma balance sheet. Under accounting principles generally accepted in the United States these reductions and costs would be recognized in income, in part immediately and in part over the revised term of the related debt. They would thus affect the deficit account rather than contributed surplus. The effects of these differences are set out below.

	(Millions of U.S. Dollars) (except per share amounts) Canadian Accounting	U.S. Accounting	Difference
Consolidated Statements of Income (As reported)			
January 31, 1983 (3 months ended)			
Interest on long-term debt	$ 32.5	$ 27.9	$ (4.6)
Net loss for the period	94.4	89.8	(4.6)
Loss per common share			
–Basic	1.74	1.66	(0.08)
–Pro forma	0.77	0.73	(0.04)
January 31, 1982 (unaudited 3 months ended)			
Interest on long-term debt	32.3	30.4	(1.9)
Net loss for the year	73.5	71.6	(1.9)
Loss per common share			
–Basic	1.84	1.80	(0.04)
–Pro forma	0.64	0.62	(0.02)
October 31, 1982			
Interest on long-term debt	137.3	127.5	(9.8)
Net loss for the year	413.2	403.4	(9.8)
Loss per common share			
–Basic	8.95	8.75	(0.20)
–Pro forma	3.47	3.39	(0.08)
October 31, 1981			
Provision for unusual costs and reorganization expense	5.1	15.5	10.4
Interest on long-term debt	91.9	92.8	0.9
Net loss for the year	194.8	206.1	11.3
Basic loss per common share	$ 8.60	$ 9.05	$0.45

Consolidated Balance Sheets
Pro Forma January 31, 1983

Long-term debt	$ 718.7	$ 888.3	$ 169.6
Contributed surplus	477.8	183.2	(294.6)
Deficit	(628.1)	(503.1)	125.0
January 31, 1983			
Long-term debt	1,025.3	1,130.1	104.8
Contributed surplus	293.7	185.8	(107.9)
Deficit	(623.3)	(620.2)	3.1
October 31, 1982			
Long-term debt	1,024.6	1,134.0	109.4
Contributed surplus	293.8	185.9	(107.9)
Deficit	(528.9)	(530.4)	(1.5)
October 31, 1981			
Long-term debt	1,031.3	1,150.5	119.2
Contributed surplus	170.6	62.7	(107.9)
Deficit	$ (115.7)	$ (127.0)	$ (11.3)

(b) Securities and Exchange Commission (SEC) Requirements

SEC rules regulating financial statement disclosure state that certain redeemable preferred shares cannot be included in a general heading "Shareholders' Equity" nor in a combined total for equity securities. In addition the terms and dates of redemption of such shares must be presented in a separate note entitled "Redeemable Preferred Shares".

The Company's preferred shares are considered by the SEC to be redeemable preferred shares to be presented outside Shareholders' Equity. In accordance with generally accepted accounting principles the Company's Preferred shares are included as part of "Shareholders' Equity" in the Consolidated Balance Sheets.

(c) Cash provided by (used in) operations:

Three months ended January 31 1983	1982 (Unaudited)		*(Millions of U.S. Dollars)* Years ended October 31 **1982**	1981	1980
$(94.4)	*$ (73.5)*	Loss from continuing operations	$(413.2)	$(194.8)	$(199.7)
		Items not affecting working capital:			
13.6	*17.2*	Depreciation, and amortization of production tooling	70.9	81.0	78.4
(4.8)	*(9.6)*	Exchange adjustments on long-term debt	(41.7)	(25.7)	8.1
3.1	*12.5*	Interest expense not involving an outlay of funds	33.2	20.5	
(1.4)	*(6.9)*	Equity in earnings of finance subsidiaries in excess of dividends received	(0.7)	(15.4)	(22.6)
		Net loss (gain) on disposal of investments	(2.1)	(19.9)	(2.1)
7.8		Fixed assets and other asset write-downs	34.5		
4.1	*(1.7)*	Other	7.5	8.0	(4.1)
(72.0)	*(62.0)*	Working capital used in continuing operations	(311.6)	(146.3)	(142.0)
		Working capital used in discontinued operations			(24.3)
(72.0)	*(62.0)*	Working capital used in operations	(311.6)	(146.3)	(166.3)
		Changes in components of working capital related to operations (except cash)			
		Decrease (increase) in current assets:			
90.9	*171.3*	Receivables and due from unconsolidated subsidiaries	281.4	15.8	(237.1)
(11.2)	*(47.2)*	Inventories	121.2	241.8	108.7
1.4	*(4.3)*	Prepaid expenses and other current assets	9.8	19.5	(3.2)
		(Decrease) increase in current liabilities:			
(12.5)	*(106.7)*	Accounts payable, accrued charges and due to unconsolidated subsidiaries	(79.9)	(87.9)	(115.7)
(2.3)	*1.9*	Taxes payable and advance payments from customers	0.5	(15.6)	(6.6)
$(5.7)	*$ (47.0)*	Cash provided by (used in) operations	$ 21.4	$ 27.3	$(420.2)

(d) Pension plan information

In the U.S., based upon the October 31, 1981 actuarial valuation, the actuarial present value of accumulated plan benefits was $77.7 million of which $70.8 million represented vested benefits. Net assets including balance sheet accruals available for benefits at that date were $76.5 million. The assumed interest rate used in determining this benefit information was approximately 9.7%.

Company pension plans not subject to ERISA, are in effect outside the United States, primarily in the United Kingdom, Canada and Germany. In Canada the Company funds pension expense, as required by law. In Canada, the actuarially computed present value of accumulated plan benefits, based on the latest (October 31, 1981) valuation, exceeded the market value of pension fund assets and balance sheet accruals by $25.8 million, of which $21.4 million was vested.

(e) Related party transactions

Marketing, general and administration expenses include $2.7 million and $12.6 million paid to unconsolidated finance subsidiaries in the three months ended January 31, 1983 and the year ended October 31, 1982 respectively (1981–$46.1 million, 1980–$31.4 million) for low-rate financing and interest waiver programs.

FINANCE SUBSIDIARIES

Massey-Ferguson Limited
(Millions of U.S. Dollars)

COMBINED STATEMENTS OF ASSETS AND LIABILITIES

	January 31 1983	October 31 **1982**	1981
Assets:			
Cash	$151.8	**$ 96.3**	$ 31.5
Receivables *(Note 3)*	710.5	**818.1**	1,033.6
Due from affiliates	2.4	**2.1**	1.5
Prepaid expenses	3.2	**3.7**	3.1
	$867.9	**$920.2**	$1,069.7
Liabilities:			
Short-term notes payable *(Note 4)*	$ 69.0	**$ 67.2**	$ 101.6
Due to affiliates	29.0	**44.0**	117.5
Long-term advances from affiliates			1.9
Dealer deposits	14.8	**14.3**	13.5
Accrued charges	20.1	**20.7**	18.1
Income taxes payable	0.8	**0.8**	0.8
Deferred income taxes	11.9	**14.1**	11.6
Long-term debt *(Notes 2 and 5)*	529.4	**567.7**	616.1
	$675.0	**$728.8**	$ 881.1
Equity of Massey-Ferguson Limited:			
Share capital *(Note 6)*	$ 59.2	**$ 59.1**	$ 58.7
Contributed Surplus *(Note 6)*	5.9	**5.9**	4.2
Retained earnings *(Note 7)*	127.8	**126.4**	125.7
	192.9	**191.4**	188.6
	$867.9	**$920.2**	$1,069.7

COMBINED STATEMENTS OF INCOME AND RETAINED EARNINGS

Three months ended January 31 ***1983***	*1982 (Unaudited)*		*Years ended October 31* **1982**	1981	1980
		Revenue:			
		Interest and finance fees:			
$10.6	*$ 16.2*	–Affiliates	**$ 51.7**	$102.1	$85.9
21.2	*29.2*	–Third parties	**105.1**	76.0	73.2
0.5	*0.9*	Discounts	**2.7**	4.3	4.9
32.3	*46.3*		**159.5**	182.4	164.0
		Expenses:			
4.1	*4.2*	Administration	**20.9**	21.9	13.7
16.8	*24.3*	Interest on long-term debt	**88.2**	56.0	32.1
		Interest on short-term debt:			
0.7	*0.4*	–Affiliates	**2.1**	3.8	1.2
2.9	*4.8*	–Third parties	**14.9**	58.4	83.3
1.7	*0.2*	Provision for doubtful accounts	**9.1**	2.0	2.2
2.5	*1.6*	Exchange adjustments	**8.3**	11.0	(3.8)
28.7	*35.5*		**143.5**	153.1	128.7
3.6	*10.8*	**Income Before Income Taxes**	**16.0**	29.3	35.3
		Income Taxes: *(Note 8)*			
4.4	*4.1*	Current	**5.1**	11.6	9.6
(2.2)	*(0.2)*	Deferred	**2.5**	2.2	2.8
2.2	*3.9*		**7.6**	13.8	12.4
1.4	*6.9*	**Net Income for the Period**–(including $0.2 attributable to Discontinued Operations in 1980)	**8.4**	15.5	22.9
126.4	*125.7*	**Retained Earnings at Beginning of Period**	**125.7**	110.3	87.5
127.8	*132.6*		**134.1**	125.8	110.4
		Deduct:			
		Dividends on preferred shares	**0.1**	0.1	0.1
		Dividends on common shares	**7.6**		
$127.8	*$132.6*	**Retained Earnings at End of Period**	**$126.4**	$125.7	$110.3

(See accompanying Notes to Finance Subsidiaries' Combined Statements.)

Three months ended January 31 1983	1982 (Unaudited)	(Millions of U.S. Dollars)	Years ended October 31 1982	1981	1980
		COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION			
		Cash from Receivable Transactions and Operations:			
$ 1.4	*$ 6.9*	Net Income	**$ 8.4**	$ 15.5	$ 22.9
322.6	*469.8*	Collection on liquidation of receivables (net of change in unearned interest and discount, and allowance for doubtful accounts.)	**1,557.3**	1,809.1	2,023.3
(215.3)	*(407.2)*	Cost of receivables acquired	**(1,342.4)**	(1,754.1)	(2,104.4)
107.3	*62.6*		**214.9**	55.0	(81.1)
(15.0)	*(51.0)*	(Decrease) increase in due to affiliates	**(73.5)**	25.0	34.9
(0.1)	*0.6*	(Decrease) increase in accrued charges and dealer deposits	**3.4**	0.2	3.2
(1.7)	*(7.4)*	(Decrease) increase other accounts, net	**1.9**	3.5	3.1
91.9	*11.7*	Cash provided by (used in) receivable transactions and operations	**155.1**	99.2	(17.0)
		OTHER SOURCES OF CASH:			
0.1	*0.1*	Issue of share capital	**0.4**	0.4	
		Contributions to surplus	**1.7**	4.2	
0.1	*0.1*	Total other sources of cash	**2.1**	4.6	
		OTHER USES OF CASH:			
		Reduction (increase) in long-term advances from affiliates	**1.9**	0.6	(0.4)
38.3	*10.5*	Reduction in long-term debt	**48.4**	4.5	23.0
(1.8)	*22.0*	(Increase) reduction in short-term notes payable (net of $360.9 converted to long-term debt, less repayments in 1981)	**34.4**	102.7	(55.3)
		Cash dividends paid	**7.7**	0.1	0.1
36.5	*32.5*	Total other uses of cash	**92.4**	107.9	(32.6)
55.5	*(20.7)*	Increase (decrease) in cash during the period	**64.8**	(4.1)	15.6
96.3	*31.5*	Cash at beginning of period	**31.5**	35.6	20.0
$151.8	*$ 10.8*	Cash at end of period	**$ 96.3**	$ 31.5	$ 35.6

(See accompanying Notes to Finance Subsidiaries' Combined Statements.)

NOTES TO FINANCE SUBSIDIARIES' COMBINED STATEMENTS

Massey-Ferguson Limited

(In U.S. Dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The finance subsidiaries' combined financial statements have been prepared by management following accounting policies generally accepted in Canada. They are also in conformity, in all material respects, with accounting policies generally accepted in the United States.

The finance subsidiaries finance only products sold by the Company and its subsidiaries. The North American finance subsidiaries provide financing to retail purchasers of the Company's farm and industrial equipment. The finance subsidiaries outside North America provide financing for export sales to distributors and, to a lesser extent, help to finance domestic sales to dealers and distributors.

(a) Basis of Presentation

The accompanying combined financial statements combine the accounts of Massey-Ferguson Finance Company of Canada Limited and its subsidiaries Massey-Ferguson Finance (Alberta) Limited and Massey-Ferguson Finance (Québec) Limitée; Massey-Ferguson Credit Corporation (U.S.A.); Massey-Ferguson-Perkins Finance Company Limited (U.K.); Perkins Engines Finance Company Limited (U.K.); Massey-Ferguson Finance A.G. (Switzerland); MF Finanziaria S.p.A. (Italy); Massey-Ferguson Finance (Australia) Limited and MF Factoring GmbH (Germany).

(b) Exchange Translation

The statements of companies whose accounts are maintained in other currencies have been translated into U.S. dollars substantially as follows: assets and liabilities at exchange rates prevailing at the end of the year; share capital and contributed surplus at rates prevailing on the transaction dates; revenue and expenses at average exchange rates during the year. Translation gains or losses are included in income.

(c) Finance Income

Interest and discounts are generally taken into income in declining amounts over the life of the contract on the basis of effective yield.

(d) Income Taxes

The companies follow the deferral method of tax allocation in accounting for income taxes.

(e) Classification of Assets and Liabilities

In accordance with industry practice, the assets and liabilities have not been classified as current or non-current.

2. REFINANCING

As indicated in Note 4 to the Consolidated Financial Statements, the Company and its subsidiaries agreed to a refinancing program on July 16, 1981 and to a further restructuring program on March 7, 1983. Under several of the refinancing agreements the finance subsidiaries are required to maintain certain financial ratios including maintaining assets in specified relationships to indebtedness and maintenance of minimum levels of net worth. With reference to the Finance Subsidiaries, the March 7, 1983 restructuring agreements do not otherwise significantly amend the July 1981 agreements.

Under the terms of the July 1981 restructuring, substantially all the lenders agreed that there will be no reduction of credit facilities until

June, 1984. As a result, $360.9 million of short-term notes payable was converted to long-term debt at July 16, 1981.

Massey-Ferguson Limited has guaranteed $451.4 million and $461.7 million of the finance subsidiaries' indebtedness for moneys borrowed at January 31, 1983 and October 31, 1982, respectively. ($497.2 million at October 31, 1981).

3. RECEIVABLES

Receivables are shown net of the following provisions

	(Millions of U.S. Dollars) January 31 1983	October 31 1982	1981
Allowance for doubtful accounts	*$17.4*	$ 16.0	$ 8.6
Unearned interest and discount	*100.4*	121.9	177.9
	$117.8	$137.9	$186.5

At January 31, 1983 and October 31, 1982, approximately 31 per cent and 38 per cent respectively (46 per cent at October 31, 1981) of the receivables, before provisions, mature beyond one year, as follows:

	January 31 1983	October 31 1982	1981
13-24 months	*$146.8*	$207.6	$306.6
25-36 months	*77.4*	100.7	160.6
over 36 months	*34.9*	58.0	90.6
	$259.1	$366.3	$557.8

4. SHORT-TERM FINANCING

The Company has the following lines of credit:

	(Millions of U.S. Dollars) January 31 1983	October 31 1982	1981
(a) Lines of Credit	*$149.4*	$153.3	$183.0
(b) Discounting facilities (included in (a))	*86.9*	89.6	96.0
(c) Unused lines of credit (included in (a))	*80.4*	86.1	81.4

Unused lines of credit of $66.6 million are available until June 1984 with 25% annual reduction thereafter at the option of the lender. The facilities are classified as short-term since the receivables discounted have terms of less than one year and there is no assurance that they will be replaced at maturity.

Receivables have been pledged as collateral for short-term notes payable in the amounts of $69.0 million and $67.2 million at January 31, 1983 and at October 31, 1982 respectively.

5. LONG-TERM DEBT

(a) Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending January 31 (i.e. fiscal 1983 represents the period February 1, 1983 to January 31, 1984):

	(Millions of U.S. Dollars) January 31 1983	October 31 1982	1981
Massey-Ferguson Finance (Australia) Limited:			
Senior bank loans maturing 1984 bearing interest at various rates from 12% to 16.3%	*$24.8*	$ 31.6	$ 35.2
Massey-Ferguson Finance Company of Canada Limited: *(f)*			
Senior bank revolving term credit maturing 1984-87 bearing interest at 1% above prime rate *(b)* and *(c)*	*46.2*	56.4	110.1
Senior Note maturing 1984-87 repayable in U.S. dollars bearing interest at 1⅛% above Eurodollar interbank rate	*9.0*	9.0	9.0
8½% Subordinated Notes maturing 1984-91	*2.0*	2.0	2.0
11⅛% Subordinated Notes maturing 1984-91	*4.8*	4.8	4.9
Subordinated Note maturing 1984-87 repayable in U.S. dollars bearing interest at 1⅝% above the Eurodollar interbank rate	*4.5*	4.5	4.5
MF Finanziaria S.p.A. (Italy):			
Senior Note maturing 1983 bearing interest at 2⅜% above London interbank offering rate *(h)*	*3.0*	3.4	4.2
Massey-Ferguson—Perkins Finance Company Limited (United Kingdom):			
Senior bank loans maturing 1984-87 repayable in U.S. dollars bearing interest at various London bank market rates	*8.0*	8.5	23.6
Senior bank loans maturing 1984-87 bearing interest at various London interbank market rates	*28.3*	48.7	47.4
Massey-Ferguson Credit Corporation (U.S.A.): *(f)*			
5¼% Senior Notes maturing 1984-86 *(g)*	*15.0*	15.0	15.0
7⅝% Senior Notes maturing 1984-88 *(g)*	*10.9*	10.9	10.9
8¾% Senior Notes maturing 1984-87 *(g)*	*35.0*	35.0	35.0
9¾% Senior Notes maturing 1984-91 *(g)*	*29.6*	29.6	29.6
Senior Notes maturing 1984-87 bearing interest at 1⅝% above Eurodollar interbank rate	*6.3*	6.3	6.3
Senior Notes maturing 1984-87 bearing interest at 1⅛% above Eurodollar interbank rate	*22.5*	22.5	22.5
Senior Notes maturing 1984-87 bearing interest at 1% above Eurodollar interbank rate	*30.0*	30.0	30.0
8% Senior Debentures maturing 1983-93	*14.0*	14.0	15.1
Senior revolving term credit maturing 1984-87 bearing interest at ¼% above U.S. prime rate plus commitment, availability and usage fees *(e)*	*190.1*	190.1	165.4
7⅞% Subordinated Notes maturing 1984-88 *(g)*	*2.7*	2.7	2.7
9¼% Subordinated Notes maturing 1984-92 *(g)*	*10.0*	10.0	10.0
10% Subordinated Notes maturing 1984-91 *(g)*	*12.7*	12.7	12.7
Subordinated Notes maturing 1984-87 bearing interest at 1⅛% above Eurodollar interbank rate	*20.0*	20.0	20.0
	$529.4	$567.7	$616.1
Senior	*$472.7*	$511.0	$559.3
Subordinated	*56.7*	56.7	56.8
Total long-term debt	*$529.4*	$567.7	$616.1

(b) Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Industries Limited have a joint bank revolving term credit facility of $255.2 million (Cdn.) as of January 31, 1983.

(c) Unused lines of credit at January 31, 1983 were $92.6 million ($86.6 million and $68.9 million at October 31, 1982 and 1981). Included in the amount of unused lines of credit at January 31, 1983 is $17.1 million which relates to the unused portion of a revolving term credit which is available to either Massey-Ferguson Industries Limited or Massey-Ferguson Finance Company of Canada Limited. As a result of the March 7, 1983 refinancing agreements, the unused portion of the revolving term credit as referred to above, has been increased to $31.4 million.

(d) Installments due and maturities during the next five years are as follows:
1983 (i.e. fiscal year ending January 31, 1984)—$28.0 million; 1984—$116.0 million; 1985—$95.6 million; 1986—$109.8 million; 1987—$105.5 million.

(e) The revolving term credit lines in Massey-Ferguson Credit Corporation require compensating balances to be maintained averaging a fixed percentage of the line and its usage, or the payment of a fee in lieu thereof as agreed with individual banks. The average amount of monthly balance required for calendar year 1982 and for

the month of January, 1983 was $32.9 million. The amounts on deposit (on which there were no compensating balance restrictions) were:

	(Millions of U.S. Dollars) January 31 1983	October 31 1982	1981
Average amount on deposit	*$86.2*	$30.2	$ 8.0
Amount on deposit at period end	*$143.9*	$86.7	$32.1

(f) Massey-Ferguson Credit Corporation is a party to a Trust Agreement in favour of the lenders whereby the Trustee holds in trust, as collateral, all rights, title and interest, in substantially all of the assets of that finance company of $544.5 million, $548.4 million and $542.6 million at January 31, 1983 and October 31, 1982 and 1981 respectively. Total assets of Massey-Ferguson Finance Company of Canada Limited are $105.5 million, $117.3 million and $181.5 million at January 31, 1983, October 31, 1982 and 1981 respectively and substantially all of these have been pledged as collateral for the debt and the share capital of its subsidiaries has also been pledged.

(g) The instalments of fixed rate debt that were deferred under the refinancing agreements and amounting to $21.6 million at January 31, 1983 ($18.6 million and $8.9 million at October 31, 1982 and 1981 respectively), bear interest at approximately 16¼% for the period of the deferral.

(h) Maturities of $2.5 million were not paid at October 31, 1981 and full payment of the note was subsequently called by the lender. The funds to repay the note were provided by another lender, and the Company has agreed with the lender to establish a new maturity schedule by March 30, 1983.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

For the three months ended January 31, 1983, Massey-Ferguson Finance (Australia) Limited received $0.1 million from a share issue ($0.4 million for each of the years ended October 31, 1982 and 1981). In addition, $1.7 million of long-term advances from affiliates were converted to contributed surplus during 1982. During 1981, Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Credit Corporation (U.S.A.) received contributions aggregating $4.2 million from manufacturing affiliates.

7. RETAINED EARNINGS

In connection with various agreements relating to the long-term debt, $93.7 million and $93.4 million of the finance subsidiaries' retained earnings at January 31, 1983 and October 31, 1982 respectively are restricted as to dividends.

8. INCOME TAXES

The components of pre-tax income (loss) and income tax expense are as follows:

(Millions of U.S. Dollars)	Three months ended January 31 1983	Years ended October 31 1982	1981	1980
Pre-tax Income (Loss):				
Domestic	*$1.3*	$ 0.4	$ (0.9)	$ 3.2
Foreign	*2.3*	15.6	30.2	32.1
Total	*$3.6*	$ 16.0	$ 29.3	$ 35.3
Income tax expense:				
Canadian Federal and Provincial Income Taxes				
Current			$ (0.2)	$ 1.6
Deferred	*$0.8*	$ 0.6		
	0.8	0.6	(0.2)	1.6
Foreign Taxes				
Current	*4.4*	5.1	11.8	8.0
Deferred	*(3.0)*	1.9	2.2	2.8
	1.4	7.0	14.0	10.8
	$2.2	$ 7.6	$ 13.8	$ 12.4

Deferred tax expense (recovery) results from timing differences between reported and taxable income which are attributable to the use of the cash basis of accounting for U.S. tax purposes and for timing differences pertaining to the treatment of discounts on receivables sold in Canada.

Income taxes differ from the amount computed by applying the Canadian tax rate to the combined income before taxes. The reasons for the differences are as follows:

(Millions of U.S. Dollars)	Three months ended January 31 1983 %	Years ended October 31 1982 %	1981 %	1980 %
Canadian tax rate	*50.0*	50.0	51.2	48.8
Net effect of foreign income subject to tax at other than the above rates	*(3.4)*	(1.2)	(2.4)	(2.3)
Group tax relief	*(30.5)*	(25.9)	(20.6)	(7.6)
Exchange adjustments	*45.0*	24.6	18.9	(3.8)
Actual tax rate applicable to income before income taxes	*61.1*	47.5	47.1	35.1

9. BUSINESS SEGMENT INFORMATION

The finance subsidiaries operate in a single industry segment. Operations and identifiable assets by geographic region for the three months ended January 31, 1983 and for the years ended October 31, 1982, 1981 and 1980 are as follows:

(Millions of U.S. Dollars)		Canada	U.S.	Europe and Other	Combined
Revenue	1983	$ 4.3	$ 19.1	$ 8.9	$ 32.3
	1982	22.5	89.3	47.7	159.5
	1981	22.1	98.5	61.8	182.4
	1980	17.3	75.7	71.0	164.0
Net Income (loss)					
	1983	0.5	1.5	(0.6)	1.4
	1982	(0.2)	7.3	1.3	8.4
	1981	(0.7)	14.5	1.7	15.5
	1980	1.7	11.8	9.4	22.9
Identifiable Assets					
	1983	105.5	544.5	217.9	867.9
	1982	117.3	548.4	254.5	920.2
	1981	181.5	542.6	345.6	1,069.7
	1980	118.1	528.9	483.6	1,130.6

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The accompanying financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied and within the framework of the accounting policies summarized in Note 1 to these financial statements. Management is responsible for all information in the Annual Report and for ensuring that financial and operating data in the Report are consistent, where appropriate, with that contained in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. In the preparation of these statements, estimates are sometimes necessary when transactions affecting the current accounting period are dependent on the outcome of future events. Such estimates are based on careful judgements and have been properly reflected in the accompanying financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities principally through the Audit Committee of the Board, which is composed of directors who are not employees of the Company. The Committee meets periodically with management, the internal auditors and the external auditors to satisfy itself that their responsibilities are properly discharged and to review the financial statements.

The external auditors conduct an independent examination in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the systems of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

Victor A. Rice
Chairman and
Chief Executive Officer

Vincent D. Laurenzo
President

Ivan Porter
Vice President Finance

March 7, 1983

AUDITORS' REPORT

To The Shareholders of Massey-Ferguson Limited:

We have examined:
(a) the consolidated balance sheets of Massey-Ferguson Limited as at January 31, 1983 and October 31, 1982 and 1981, and the consolidated statements of income, changes in shareholders' equity and changes in financial position for the three months ended January 31, 1983 and for each of the three years ended October 31, 1982, 1981 and 1980;

(b) the pro forma consolidated balance sheet of Massey-Ferguson Limited and the pro forma consolidated statement of changes in shareholders' equity as at January 31, 1983 ; and

(c) the combined statements of assets and liabilities of the Finance Subsidiaries of Massey-Ferguson Limited as at January 31, 1983 and October 31, 1982 and 1981, and the combined statements of income and retained earnings and changes in financial position for the three months ended January 31, 1983 and for each of the three years ended October 31, 1982, 1981 and 1980.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly:
(a) the consolidated financial position of Massey-Ferguson Limited as at January 31, 1983 and October 31, 1982 and 1981 and the results of its consolidated operations and the changes in its consolidated financial position for the three months ended January 31, 1983 and for each of the three years ended October 31, 1982, 1981 and 1980;

(b) the pro forma consolidated financial position of Massey-Ferguson Limited and the pro forma consolidated changes in shareholders' equity as at January 31, 1983 after giving effect to the transactions described in Note 4(b)(ii); and

(c) the combined assets and liabilities of the Finance Subsidiaries as at January 31, 1983 and October 31, 1982 and 1981 and the results of their combined operations and the changes in their combined financial position for the three months ended January 31, 1983 and for each of the three years ended October 31, 1982, 1981 and 1980 all in accordance with accounting principles generally accepted in Canada applied on a consistent basis during the period.

The accompanying consolidated statements of income and changes in financial position of Massey-Ferguson Limited and the accompanying combined statements of income and retained earnings and changes in financial position of the Finance Subsidiaries of Massey-Ferguson Limited for the three months ended January 31, 1982 were not audited by us and, accordingly, we do not express an opinion on them.

Toronto, Canada
March 7, 1983

Clarkson Gordon
Chartered Accountants

Comments by Auditors for U.S. Readers on Canada-United States Reporting Conflict:

In our report dated December 10, 1981 we stated that our opinions on the 1981 and 1980 consolidated financial statements of Massey-Ferguson Limited and the combined financial statements of its Finance Subsidiaries were expressed in accordance with standards of reporting generally accepted in Canada, and would have been qualified with respect to the outcome of significant uncertainties referred to in the notes to the consolidated financial statements if that report had been prepared in accordance with United States reporting standards. As explained in Note 4, the Company agreed to a new refinancing program with its lenders on March 7, 1983 which should permit compliance with related covenants and undertakings throughout the year ending January 31, 1984. Accordingly, the opinions in our present report on the 1981 and 1980 financial statements would not be qualified under reporting standards generally accepted in the United States.

Toronto, Canada
March 7, 1983

Clarkson Gordon
Chartered Accountants

SUPPLEMENTARY INFORMATION (unaudited)

(a) Quarterly condensed unaudited income statements for the three months ended January 31, 1983 and for the years ended October 31, 1982 and 1981 are presented below.

(Millions of U.S. Dollars except per share amounts)

	Three months ended January 31, 1983	1982 Quarter				1981 Quarter			
		1	2	3	4	1	2	3	4
Net Sales	*$313.3*	$480.6	$558.0	$518.2	$501.3	$531.6	$720.7	$689.4	$704.6
Gross Profit	*10.2*	60.0	108.0	27.8	54.3	35.4	92.3	50.8	134.4
Costs and Expenses	*108.2*	131.6	138.6	101.2	132.9	120.0	101.2	72.1	233.6
Loss before Items Shown Below	*98.0*	71.6	30.6	73.4	78.6	84.6	8.9	21.3	99.2
Provision for Unusual Costs and Reorganization Expense		10.4		10.0	150.4		3.7	(21.2)	22.6
Income Tax (Recovery) Expense	*(2.2)*	(1.6)	(1.0)	.3	(1.0)	(0.3)	(1.1)	(2.9)	(4.5)
Equity in net (income) loss of Finance subsidiaries	*(1.4)*	(6.9)	(3.9)	3.3	(1.0)	(2.9)	(3.5)	(0.2)	(8.9)
Net Loss (Income)	*$ 94.4*	$ 73.5	$ 25.7	$ 87.0	$227.0	$ 81.4	$ 8.0	$ (3.0)	$108.4
Loss per common share (in U.S. dollars after dividends on preferred shares)*	**$ 1.74**	**$ 1.84**	**$ 0.71**	**$ 1.85**	**$ 4.21**	$ 4.57	$ 0.55	$ 0.01	$ 2.97

*The sum of quarterly results per common share does not equal the annual loss per common share because quarterly changes in the weighted average number of common shares outstanding are not proportional to changes in quarterly results.

(b) At March 16, 1983, 88,104,194 Massey-Ferguson common shares were registered in the names of approximately 32,000 shareholders, based on records of the Share Transfer Agent. Of these shares, 60,708,324 are not yet registered or otherwise qualified for general trading.

The principal trading markets for these shares are Toronto and New York. The following table sets out the high and low sale prices of the stock on the Toronto and New York Stock Exchanges.

	1983		1982		1981	
	High	Low	High	Low	High	Low
Toronto						
First quarter			**Cdn. $2.50**	**Cdn. $1.95**	Cdn. $6⅞	Cdn. $4.05
Second quarter			**3.10**	**2.02**	6⅛	4.50
Third quarter			**3.40**	**2.21**	4.80	3.15
Fourth quarter			**2.45**	**2.08**	3.50	2.40
January/February	***Cdn. $5⅛***	**Cdn. $3.75**				
New York						
First quarter			**U.S. $2⅛**	**U.S. $1⅝**	U.S. $5⅞	U.S. $3⅜
Second quarter			**2½**	**1⅝**	5⅛	3¾
Third quarter			**2¾**	**1¾**	4⅛	2⅝
Fourth quarter			**2⅛**	**1⅝**	2⅞	2
January/February	***U.S. $4⅜***	**U.S. $3**				

DIVIDENDS

No dividends have been paid to common shareholders since December 20, 1977. During 1982 (prior to June 1), the Company paid dividends of $1.6 million, $1.1 million, $4.2 million, $6.6 million and $2.5 million on series A,B,C,D and E preferred shares respectively.

As indicated in Note 13 to the Consolidated Financial Statements, covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared on common shares prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50% of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and requires that the Company is in compliance with all its covenants and undertakings. Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after February 31, 1983 exceeds approximately $675 million. Thereafter, an agreement with the Governments of Canada and Ontario, could remain in effect until June 30, 1991, prevents the declaration or payment of dividends on the common shares except with the written agreement of Ministers of these Governments.

(c) Selected Financial Data

	(Millions of U.S. Dollars except per share data)					
	Three months ended January 31, 1983	October 31				
		1982	1981	1980	1979	1978
Net Sales	*313*	**$2,058**	$2,646	$3,132	$2,973	$2,631
Loss from continuing operations: **						
Canadian accounting principles	*94*	**413**	195	200	36	167
U.S. accounting principles*	*90*	**403**	206	200	36	167
Net loss per common share from continuing operations:						
Canadian accounting principles	*1.74*	**8.95**	8.60	11.39	2.38	9.64
U.S. accounting principles*	*1.66*	**8.75**	9.05	11.39	2.34	9.64
Total assets	*1,843*	**2,069**	2,503	2,828	2,745	2,573
Long-term debt:						
Canadian accounting principles	*1,025*	**1,025**	1,031	562	625	652
U.S. accounting principles*	*1,130*	**1,134**	1,151	562	625	652
Redeemable Preferred Shares	*454*	**454**	379	96	96	96
Shareholders Equity (excluding Redeemable Preferred Shares):						
Canadian accounting principles	*(311)*	**(218)**	191	257	482	445
U.S accounting principles*	*(416)*	**(327)**	72	257	482	445
Cash dividends declared per Common Share ($Cdn.)						0.25

*See Note 19 (a) to the Consolidated Financial Statements for discussion and analysis of differences in U.S. and Canadian generally accepted accounting principles. See 19(b) for differences between SEC reporting requirements and Canadian generally accepted accounting principles.

**Includes Provision for Unusual Costs and Reorganization Expense of $170.8 million in 1982; $5.1 million in 1981; $28.5 million in 1980; $95.0 million in 1979; and $72.6 million in 1978.

(d) Reporting the Effects of Changing Prices

In its next Annual Report, the Company will comply with the recommendation of the Canadian Institute of Chartered Accountants which requires the presentation of the effects of changing prices as supplementary information. Items required to be disclosed as part of the supplementary information include:

–the current cost amounts of cost of goods sold and of depreciation, and amortization of fixed assets or the amounts of the current cost adjustments for those items;
–income before extraordinary items after reflecting cost of goods sold and depreciation and amortization of fixed assets on a current cost basis;
–the amount of the changes during the reporting period in the current cost amounts of inventory and fixed assets; and
–the carrying values of inventory and fixed assets on a current cost basis at the end of the reporting period.

It also requires disclosure of a financing adjustment and the amount of changes in the current cost amounts of inventory and fixed assets that is attributable to the effects of general inflation and the amount of the gain or loss in general purchasing power that results from holding net monetary items during the reporting period.

The Company estimates that for the three months ended January 31, 1983 and for the year ended October 31, 1982 the net loss computed on a current cost basis would be higher than that reported under the historic cost basis. The current cost of the Company's fixed assets, most of which was acquired in earlier years, would be significantly higher, primarily due to the effects of inflation and the current cost depreciation and amortization would be correspondingly higher. The current cost of goods sold and current cost of inventories would also be higher, though it is estimated that due to labour and material economics, these adjustments would be equal to or lower than the impact of general inflation. It should be noted, however, that the Company does not envision a requirement to replace a significant portion of its fixed assets in the foreseeable future. In the short term, the Company's ability to pass on the higher current costs through sales price increases is constrained due to the intense competitive conditions in the industry.

(e) Foreign Exchange Translation

As indicated in Note 1 to the Consolidated Financial Statements, the Company prepares its statements in accordance with accounting principles generally accepted in Canada and uses Statement 8 of the Financial Accounting Standards Board (FASB) in accounting for foreign currency transactions and in translating foreign currency financial statements.

The Canadian Institute of Chartered Accountants has issued an exposure draft on foreign exchange translation, which is similar to Statement 52 of the FASB rules issued in the United States. The Canadian rules are expected to be in place in the near future, at which time the Company will adopt them for reporting purposes. Both Canadian and U.S. rules require the parent company to determine for each foreign operation whether it is 'integrated' or 'self-sustaining' (whether the functional currency is that of the parent or the local currency in U.S. parlance). Different translation rules apply in each case.

FINANCIAL REVIEW

Results of Operations Year Ended October 31, 1982

INDUSTRY CONDITIONS

1982 witnessed a continuation of the depressed market conditions which have seriously affected the farm and industrial machinery business for the past several years. Another year of bumper grain harvests in the principal producing countries increased surplus grain stocks which further depressed commodity prices from already historically low levels. The combination of low commodity prices and the general effects of the economic recession induced by high interest rates served to undermine farmers' and consumers' confidence resulting in the sixth successive year of declining industry retail sales of farm and industrial equipment.

The severe reduction in demand that has occurred in the principal markets in the last two years is evident from the following table:

Industry Retail Unit Sales
Percent (decrease) increase

	North America		Europe		Latin America	
	1982 to 1981	1981 to 1980	1982 to 1981	1981 to 1980	1982 to 1981	1981 to 1980
Agricultural tractors	(18)%	(7)%	(1)%	(12)%	(18)%	(24)%
Combines	(29)%	3%	(11)%	(11)%	(21)%	(17)%
Industrial tractors	(26)%	(21)%	(2)%	(23)%	(27)%	–

Demand for the other principal product of the Company–diesel engines–is largely dependent on the general level of industrial activity, particularly construction and purchases of vehicles and capital equipment. Due to the general recession, industry sales of diesel engines have substantially declined in the last two years, particularly in the major markets of North America and Brazil.

COMPANY RESULTS

The latest downturn in industry conditions was not entirely unexpected and the Company had noted the likelihood of continuing adverse economic conditions in its 1981 Annual Report. Cost control efforts had therefore been intensified well before the commencement of this latest downturn in industry retail sales. As a result the significant reductions in operating costs largely offset the adverse profit impact of the decline in sales and the Company reported an operating loss in 1982, improved from the loss in 1981. The following table summarizes the results of operations for 1982, 1981 and 1980:

	(Millions of U.S. Dollars) **1982**	1981	1980
Operating loss:			
Continuing operations	**$(205.0)**	$(218.2)	$ (94.4)
Discontinued operations			(25.5)
	(205.0)	(218.2)	(119.9)
Non-operating items:			
Provision for unusual costs and reorganization expense	**(170.8)**	(5.1)	(28.5)
Exchange (loss) gain*	**(37.4)**	28.5	(76.8)
	(208.2)	23.4	(105.3)
Net loss**	**($(413.2)**	$(194.8)	$(225.2)

*Exchange (loss) gain reflects the impact on continuing operations of exchange adjustments net of foreign currency exchange rate changes in cost of goods sold.

**As indicated in Note 19(a) to the Consolidated Financial Statements the loss under United States generally accepted accounting principles would have been $403.4 and $206.1 for 1982 and 1981 respectively.

The 1982 operating loss of $205.0 million compares favourably with the 1981 operating loss of $218.2 million. This improvement was achieved despite a 22 per cent reduction in sales from $2646 million in 1981 to $2058 million in 1982 and reflects tight cost control and the favourable effect on 1982 operating costs of certain downsizing activities which the Company had initiated in 1981 and earlier years.

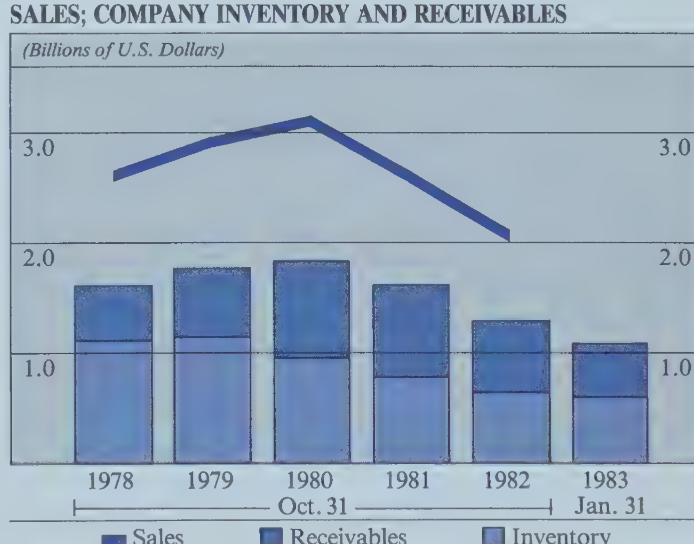
Two non-operating items–provision for unusual costs and reorganization expense of $170.8 million and a net exchange loss of $37.4 million–increased the net loss in 1982 to $413.2 million.

The increase in the 1981 operating loss over 1980 resulted principally from rapidly declining sales caused by a sharp and unexpected market downturn that commenced in the spring of 1980, prompted by high interest rates. The high interest rates also resulted in significantly increased interest costs. In 1981, the net loss was $194.8 million after a provision for unusual costs and reorganization expense of $5.1 million and a net exchange gain of $28.5 million. In 1980, the net loss was $225.2 million after a similar provision of $28.5 million and a net exchange loss of $76.8 million.

WHOLESALE SALES

1982 wholesale sales of $2058 million were 22 per cent lower than 1981 sales of $2646 million, which were 16 per cent lower than 1980 sales of $3132 million. In each year, about 7 per cent of this decline represented the effect of a strengthening U.S. dollar since a significant portion of the Company's sales are invoiced in currencies other than the U.S. dollar. The balance of the decline resulted from a reduction in volume partially offset by price increases which in general were below the rates of inflation. The reduction in volume reflected the decline in industry retail sales volume discussed earlier.

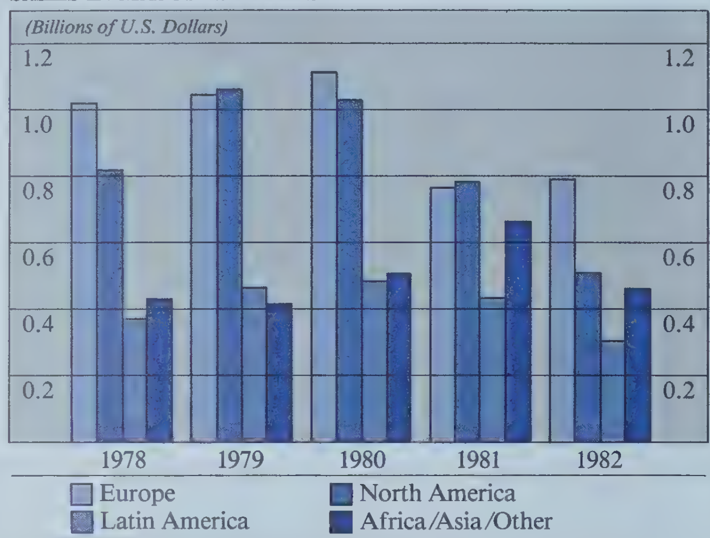
SALES; COMPANY INVENTORY AND RECEIVABLES



In the light of a rapidly shrinking market the Company's efforts were focused on retaining market share and on conserving cash by maintaining a tight control on operating assets, specifically, on the level of dealer and Company inventories. In order to prevent excessive build up of dealer

inventories, the Company scheduled extensive plant closures in both 1982 and 1981 particularly in North America where the market downturn was most severe. These plant closures resulted in a reduced level of wholesale sales in both 1982 and 1981, and also adversely affected margins due to the need to incur certain minimum fixed costs during plant closure periods. While the impact of plant closures on 1982 and 1981 sales and income was negative, the Company can report that it has ended 1982 with dealer inventories at much reduced levels. The Company believes it is well-positioned to take advantage of any upturn in the market. Also, the Company has held its position as the largest producer of tractors in the world, the second largest producer of combine harvesters and as a leader in multicylinder diesel engines.

SALES IN MAJOR MARKETS



On a regional basis, 1982 sales were lower than 1981 sales in every region except Europe. Sales in North America were $505 million, down 35 per cent; European sales were $784 million, up 2 per cent; sales in Asia, Africa and Australasia were $465 million, down 30 per cent, and Latin American sales were $304 million, down 30 per cent. 1981 sales were similarly lower than 1980 sales in every region except Asia, Africa and Australasia. Sales in North America were $779 million, down 25 per cent; European sales were $768 million, down 31 per cent and Latin American sales were $434 million, down 9 per cent. Sales in Africa, Asia and Australasia were $666 million, up 34 per cent.

In 1981 declining demand in the major markets of North America, Europe and Latin America was partially offset by fairly buoyant demands in the markets of Asia and Africa where developing countries had commenced capital expenditure programs. In 1982, however, the effects of worldwide recession spread to these countries resulting in a substantial drop in demand. In addition, in 1982 there was a severe drought in Australia which also reduced demand. However, the markets in Europe stabilized and the Company increased sales in this region, particularly in the U.K.

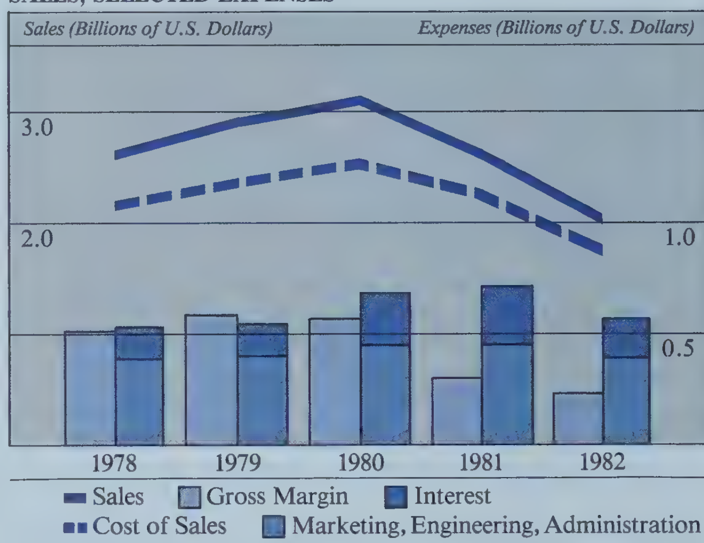
The 1982 sales decline of 22 per cent occurred fairly evenly across product groups. Farm and industrial machinery sales declined 21 per cent and engines declined 26 per cent. 1981 sales of farm and industrial machinery were 17 per cent lower than 1980, while engine sales were 10 per cent lower.

COSTS AND EXPENSES

Declining market demand and excess inventories across the industry created an environment in which sales could only be achieved by aggressive pricing. This put tremendous pressure on margins but despite the steadily deteriorating conditions in the industry, the Company was able to hold its cost of sales at about 82 per cent of sales for all three years (on an average exchange rate basis). The Company's cost reductions were aided by a decline in the value of European and Canadian currencies relative to the U.S. dollar, since the Company has its principal manufacturing operations in these regions.

The Company intensified efforts to control administrative costs by tightening controls on expenditures and by reducing manpower. Selling and general and administrative expenses declined 16 per cent in 1982 compared to 1981 which was marginally higher than 1980. 1982 total interest expense of $186.7 million was 30 per cent lower than 1981 reflecting marginally lower interest rates and significantly lower average borrowing levels through the year. The lower average borrowing levels resulted from lower average assets resulting from the tight control of operating assets, as well as funds obtained from the 1981 refinancing. 1981 interest expense was higher than 1980 because of significantly higher average interest rates compared to 1980.

SALES; SELECTED EXPENSES



FINANCE SUBSIDIARIES

The net income of finance subsidiaries decreased from $15.5 million in 1981 to $8.4 million in 1982, largely due to a reduction in income support payments to the North American finance companies and increased provision for estimated losses on receivables due to the poor market conditions. The decline in net income of finance subsidiaries in 1981 compared to 1980 was primarily from exchange losses in the European finance companies from the strengthening U.S. dollar.

NON-OPERATING ITEMS

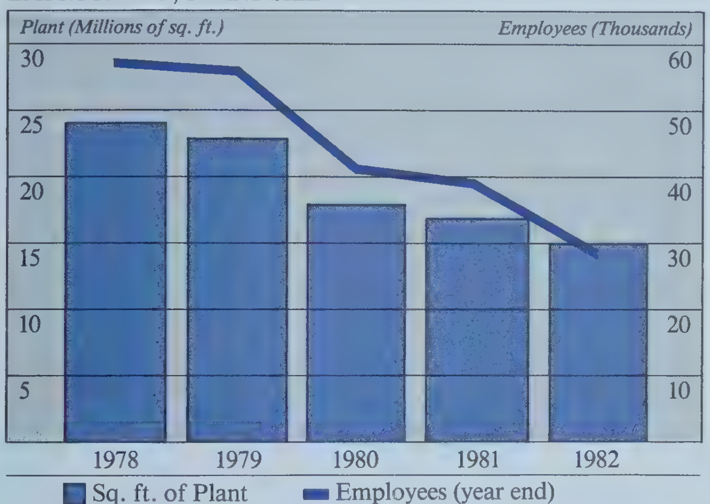
Provision for Unusual Costs and Reorganization Expense
(1982-$170.8 million; 1981-$5.1 million; 1980-$28.5 million)

In the 1981 Annual Report, the Company had noted the likelihood of continuing adverse economic conditions and indicated that it had prepared further rationalization and restructure plans designed to reduce the cost of operations and return to profitability. In 1982 the Company provided $170.8 million towards the estimated costs of these rationalization

and restructuring actions (see Note 16 to the Consolidated Financial Statements).

These actions in 1982 included the closure and sale of the tractor plant in Sao Paulo with production moved to our larger combine plant in Canoas, in the south of Brazil; closure of two parts warehouses in North America; the disposal of the factory at Knowsley, in the United Kingdom; the closure of the foundry at Eschwege, in West Germany, and the closure of the tractor plant and the planned cessation of production during 1983 at the transmission and axle, and gear and shaft plants in Detroit. The Company also sold its subsidiary Massey-Ferguson Argentina S.A. and its 30 per cent interest in Perkins Argentina S.A. The new owners will continue to produce MF tractors and Perkins diesel engines under licence. Book losses on the sale of the Argentina interests amounted to $13.8 million, although there was no cash loss associated with this transaction.

EMPLOYMENT; PLANT SIZE



Unusual costs and reorganization expenses provided for in 1982 mark the culmination of a five-year program launched in 1978 to improve efficiency and downsize operations to current industry levels. The thrust of this program was to withdraw from fringe activities to enable the Company to concentrate its resources on its core businesses and maintain its leading position in its major markets. Among the actions taken during the last five years were manpower reductions which lowered employment levels from a high of more than 68,000 in 1976 to 29,700 at the end of 1982, with some further reductions planned for 1983; manufacturing space reductions of almost 9 million square feet or 36 per cent by the closure or divestment of 15 plants since 1978 including the disposal of the Company's construction machinery business; the sale of businesses involved in office furniture, snowmobiles, lawn and garden tractors, Company-operated distribution and warehouse facilities as well as plants in Brazil, the U.K., the U.S. and West Germany and the Company's interests in farm machinery companies in Mexico, South Africa and Spain.

NET EXCHANGE ADJUSTMENTS

(Exchange adjustments net of foreign currency exchange rate changes in cost of goods sold)

The net exchange adjustment has fluctuated from a loss of $76.8 in 1980 to a gain of $28.5 in 1981 and a loss of $37.4 in 1982. The loss in 1980 occurred principally as a result of the steady decline in the value of the U.S. dollar in relation to European currencies, particularly the pound Sterling. This loss was reversed in 1981 due to the significant appreciation in the value of the U.S. dollar. The resulting gains in the European operations in 1981 offset the exchange loss recorded on the Latin American operations, particularly Brazil. In 1982 the appreciation of the U.S. dollar against the pound Sterling was significantly lower than in 1981 and hence the exchange gains recorded on European operations were not sufficient to offset the exchange losses in Brazil, resulting in a net exchange loss for 1982.

As discussed in item (e) of the Supplementary Information (page 34 of this Annual Report), the Company will implement the new exchange accounting and reporting rules when these are effective. Item (d) of the Supplementary Information (page 34) reviews the prospective computation of certain supplementary information pertaining to effects of changing prices.

Three Months Ended January 31, 1983

Except in Europe, there were no improvements in market conditions in the three months ended January 31, 1983. The following table compares 1983 three month industry retail unit sales with the comparative 1982 period:

Industry Retail Unit Sales
Per cent (decrease) increase

	Three months ended January 31, 1983 to 1982		
	North America	Europe	Latin America
Agricultural tractors	(28)%	5%	(28)%
Combines	(18)%	3%	(35)%
Industrial tractors	(15)%	10%	(60)%

The Company incurred a net loss of $94.4 million for the three months ended January 31, 1983 including a net exchange loss of $9.1. The net loss for the comparable 1982 period was $73.5 including a net exchange loss of $8.4 million and a provision for unusual costs and reorganization expense of $10.4 million. As indicated in Note 19(a) to the Consolidated Financial Statements, the net loss under generally accepted accounting principles in the United States would be lower by $4.6 million.

The increase in loss was primarily due to the adverse profit impact of substantially lower wholesale sales resulting from a shrinking market, particularly in North America and Latin America. The low sales also reflect the temporary halt to production in several of the Company's plants for most of the quarter as management continued its emphasis on cash conservation by controlling asset levels.

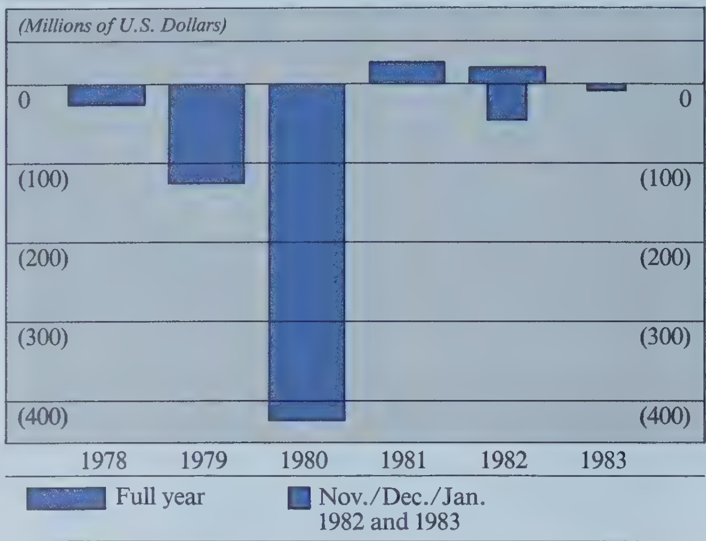
Cash flow from operations therefore was substantially improved from the same period last year. For the quarter ended January 31, 1983, the Company came close to break-even on a cash basis with a negative cash flow of only $5.7 million. This compares with a negative cash flow of $47.0 million in the 1982 quarter.

Wholesale sales for the three months ended January 31, 1983 at $313 million were 35 per cent lower than 1982 sales of $481 million. After adjusting for changes in exchange rates, 1983 sales were 28 per cent lower than 1982. Farm and industrial machinery sales of $255 million were 33 per cent lower and diesel engines of $58 million were 42 per cent below 1982.

On a regional basis, sales in Europe were $152 million, down 2 per cent from the quarter in 1982. This decline is largely the result of a change in exchange rates. On an exchange adjusted basis, sales in Europe were higher by 6 per cent reflecting the Company's participation in the slight upturn in industry conditions. Sales in North America were $43 million, down 68 per cent; sales in Asia, Africa and

Australasia were $73 million, down 41 per cent, and Latin American sales were $45 million, down 33 per cent.

CASH GENERATION



As indicated earlier, the decline in wholesale sales in North America is partially due to factory shutdowns and low shipments to dealers to balance dealer stocks. On a retail basis, the Company's sales in North America were adversely effected by very aggressive pricing by other manufacturers in their efforts to balance dealer inventories. Retail sales data considered over short periods of time are significantly affected by various pricing and other incentive programs offered by manufacturers. Such programs tend to bring forward sales and thus distort industry statistics.

The decrease in sales in Latin America and other regions reflects the continuing problems in those sectors of the world economy as the effects of very high interest rates linger, and the effects of low commodity prices and the general slow down in economic development programs in the oil producing nations.

COSTS AND EXPENSES

In the three months ended January 31, 1983, cost of sales, at average exchange rates were 90 per cent of sales compared to 84 per cent in 1982. The increase in costs as a per cent of sales reflects increased per unit costs because of low sales and a less favourable sales mix, compared to 1982. However, as sales pick up in the next quarter, a traditional selling season, and factories begin production, cost of sales as a per cent of sales should improve. Also, 1982 cost of sales were favourably impacted by relatively high production in that quarter.

The marketing, general and administration expenses of $70.9 million for the three months ended January 31, 1983 have decreased by $11.3 million compared to 1982 as a result of reductions in manpower and tight control of costs. Notwithstanding these reductions, expenses as a per cent of sales have increased from 17% in 1982 to 23% in 1983. However as sales improve and as the effects of the recent operational restructure are reflected, the ratio of expense to sales should decline to more acceptable levels.

Interest expenses have decreased by $5.1 million in 1983 from $48.3 million in 1982 due to a decline in interest rates and lower borrowing levels. It is expected that the trend towards lower interest expense will continue, particularly due to the recent financial restructuring discussed later.

In line with its strategic plan to seek majority-holding local partners for key growth markets in Latin America, the Company announced that negotiations in Brazil are well advanced with governmental agencies and third-party investor groups to strengthen the equity of its Brazilian subsidiary, Massey-Ferguson Perkins S.A. Since Massey-Ferguson Limited would hold a substantial but minority position in the resulting company, the assets and liabilities of the subsidiary have therefore been deconsolidated from the balance sheet at January 31, 1983 and carried as an investment. However, the net loss of the Brazilian subsidiary is included in the $94.4 million net loss for the quarter, accounting for $8.7 million of the total.

FINANCE SUBSIDIARIES

The net income of finance subsidiaries for the three months ended January 31, 1983 was $1.4 million compared to $6.9 million in 1982. This reduction was principally caused by exchange losses in the U.K. Finance Companies due to a decline in the value of the pound sterling and because of lower net income in the North American Finance Companies, primarily due to lower income support payments from the manufacturing companies and increased provision for losses on receivables due to the poor market conditions. Management expects that the recent decline in sales of manufacturing companies will result in lower receivables and income in the finance companies in the near term future.

Financial Conditions, Liquidity, Financial Resources

Operating losses have adversely affected the financial condition of the Company and resulted in a serious drain on the Company's liquidity. Shareholders' equity which had increased to $569.7 million at October 31, 1981 from $353.1 million at October 31, 1980 due to the July 1981 refinancing, eroded to $236.6 million at the end of October 1982 and to $143.4 million at January 31, 1983 as a result of losses in 1982 and the three months ended January 31, 1983.

As discussed in Note 3 to the Consolidated Financial Statements, the Company has redefined funds as cash instead of working capital. The Company had foreseen the continuation of difficult economic conditions and as indicated in its 1981 Annual Report had enforced strict cash conservation measures. Primarily as a result of these measures, the Company was able to generate positive cash flow from operations of $27.3 million in 1981 and $21.4 million in 1982. The positive cash flow from operations in 1982 and 1981 principally reflected a reduction in receivables and inventories. Receivables (including due from unconsolidated subsidiaries) were reduced by $281.4 million in 1982 following a decline of $15.8 million in 1981. Inventories were reduced by $121.2 million in 1982 following a reduction of $241.8 million in 1981. The positive cash flow from operations also reflects the effects of non-payment of interest for part of 1982. In addition, the 1982 net loss included $170.8 million of provision for unusual costs and reorganization expense, of which approximately two thirds represents costs not involving an immediate outlay of cash.

Notwithstanding an increase in the net loss in the three months ended January 31, 1983, compared to 1982, the Company was able to improve the cash flow from operations from a negative $47.0 million in 1981 to a negative $5.7 million in 1982.

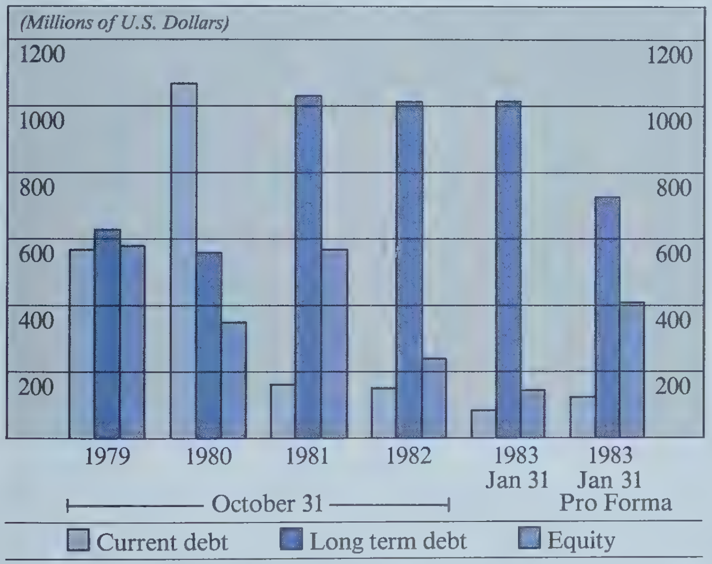
The period from November 1 to January 31 is traditionally a period during which the industry faces heavy demand on cash as companies seek to rebuild inventories for the spring selling

season. But in keeping with ongoing programs, the Company reduced receivables and kept inventories down and thus improved its cash flow performance.

The finance subsidiaries have also had significant positive cash flow from receivables transactions and other operations of $91.9 million in the three months ended January 31, 1983 and $155.1 and $99.2 million in 1982 and in 1981 respectively. In 1980 there was a negative cash flow from receivables transactions and operations of $17.0 million.

As indicated in prior shareholder reports the Company had been conducting negotiations with its lenders for a financial restructure program. On March 7, 1983 the Company concluded agreements with its lenders on the various aspects of this program. The program basically involves a combination of interest or principal conversion and interest forgiveness designed to improve the long term financial stability of the Company and is reviewed in the Financial Restructuring Section of this Annual Report (page 3). The Pro-forma sections of the financial statements as at January 31, 1983 give effect to the various transactions that occurred as a result of these agreements. The details are discussed in Note 4(b) to the Consolidated Financial Statements. The pro forma impacts under generally accepted accounting principles in the United States are indicated in Note 19(a) to the Consolidated Financial Statements.

CAPITALIZATION



The contribution by lenders, through a reduction in interest and principal, results in an increase in contributed surplus by $184.1 million from $293.7 million to $477.8 million. The agreement by the lenders to accept common shares of the Company in settlement of part of the outstanding and unpaid interest and part of the principal, results in an increase in common share capital of $69.2 million to $87.8 million and in other paid-in capital of $8.7 million. As a result of these transactions, the ratio of monies borrowed (long term debt plus bank borrowings and current portion of long term debt) to equity improves dramatically from 8:1 at January 31, 1983 to 2:1 after the refinancing. If calculated under United States generally accepted accounting principles, this ratio would be 4:1 (after including redeemable preferred shares in equity. See Note 19(b) to the Consolidated Financial Statements).

In addition, the refinancing is expected to result in improved cash flow primarily due to significant reductions in cash outlays for interest expense over the next year. The rescheduled maturities are indicated in Note 10 to the Consolidated Financial Statements and as indicated, there is an increase in current maturities of certain loans. The Company hopes to be able to meet the various maturities primarily through cash flow from operations and will also continue to explore other financing alternatives. Management will continue to exercise tight control on asset levels. Since present plant and equipment facilities are felt to be both adequate and well maintained, no major capital expenditures are planned. The Company has also agreed to various financial and operating covenants including covenants on movements of funds between various subsidiaries, and has committed to various undertakings under the March 7, 1983 refinancing agreements. The Company believes that it will be able to meet and comply with the various covenants and undertakings agreed to in the new refinancing agreements.

1983 OUTLOOK

The worldwide farm machinery industry has now experienced its sixth successive year of market decline. Little improvement can be expected in the near term due to relatively high carryover stocks of grain and feedstock in relation to expected consumption levels. This will continue to exercise a dampening effect on commodity prices which in turn will reduce farmers' income and result in dampening demand for farm equipment. Further uncertainty results from various Government programs, particularly in the United States. While there has been welcome improvement in some European markets, principally in the U.K., this is, at best, modest. In the rest of the world, the market outlook remains bleak. Markets for industrial tractors remain depressed, reflecting the general slump in the construction industry and, here too, no short-term remedies are in sight. Diesel engine sales were depressed in 1982 as manufacturing customers in the key markets of North America and Brazil responded to the general economic recession by closing factories and reducing inventories. Also the continuing downturn in agricultural machinery sales exacerbated the reduction in diesel engine demand. However, Perkins is maintaining market share, and a modest improvement in sales is likely in 1983. While the immediate outlook is challenging, the Company, which has recently completed and put in place its revised operation and financial structure, is well positioned to face these challenges and will strive to improve its financial performance.

FINANCIAL STATISTICS*

(Millions of U.S. Dollars)			*Three months ended January 31 1983*****	Years ended October 31 1982	1981	1980	1979	1978	1977**	1976**	1975**
SUMMARY OF OPERATIONS	Net sales	$	*313*	**2,058**	2,646	3,132	2,973	2,631	2,861	2,774	2,554
	Gross profit	$	*10*	**250**	313	556	573	512	608	533	511
	Net expenses (excluding interest)	$	*65*	**317**	263	520	392	467	431	281	280
	Interest expense (net)	$	*43*	**186**	265	240	149	141	142	97	91
	Provision for Unusual Costs and Reorganization Expense	$		**171**	5	29	95	73			
	Income tax recovery (expense)	$	*2*	**3**	9	10	6	(17)	(17)	(57)	(49)
	Income from Finance Subsidiaries and Associate Cos.	$	*2*	**8**	16	23	21	19	14	10	9
	(Loss) Profit from Continuing Operations	$	*(94)*	**(413)**	(195)	(200)	(36)	(167)	32	108	100
	Loss from Discontinued Operations	$				(25)	(23)	(95)			
	(Loss) Profit before Extraordinary Item	$	*(94)*	**(413)**	(195)	(225)	(59)	(262)	32	108	100
	Extraordinary Item	$					95				
	Net (loss) income	$	*(94)*	**(413)**	(195)	(225)	37	(262)	32	108	100
	Operating (loss) profit***	$	*(85)*	**(205)**	(218)	(120)	45	(119)	78	130	119
	Dividends–Common	$						4	19	18	13
	–Preferred	$		**16**	45			2	10	7	2
	(Loss) income retained	$	*(94)*	**(429)**	(240)	(225)	37	(268)	3	83	85
FINANCIAL CONDITION	Working capital	$	*670*	**723**	994	256	467	476	736	767	666
	Additions to fixed assets	$	*5*	**47**	44	46	77	99	147	175	170
	Depreciation and amortization	$	*14*	**71**	81	80	88	77	69	54	45
	Total assets	$	*1,844*	**2,069**	2,503	2,828	2,745	2,573	2,620	2,323	2,015
	Current ratio		*2.1*	**2.0**	2.2	1.1	1.3	1.4	1.7	1.9	1.8
	Asset turnover ratio		*0.17*	**1.0**	1.1	1.1	1.1	1.0	1.1	1.2	1.3
	Debt/equity ratio		*7.8*	**5.0**	2.1	4.6	2.1	2.1	1.2	0.9	1.0
LIABILITIES AND SHAREHOLDERS' EQUITY	Current	$	*610*	**746**	844	1,851	1,469	1,252	1,061	866	808
	Other	$	*1,090*	**1,087**	1,089	624	699	780	745	647	538
	Shareholders equity	$	*143*	**237**	570	353	578	541	813	811	669
	Return on closing equity	$	*(65.8)*	**(174.6)**	(34.2)	(63.8)	6.4	(48.5)	3.9	13.3	14.9
AS A PER CENT OF SALES	Cost of goods sold, at average exchange rates	%	*89.8*	**83.0**	82.1	82.0	80.1	81.1	78.2	76.8	77.6
	Effect of foreign currency exchange rate changes	%	*7.0*	**4.9**	6.1	0.2	0.6	(0.6)	0.5	4.0	2.4
	Gross margin	%	*3.2*	**12.1**	11.8	17.7	19.3	19.5	21.3	19.2	20.0
	Marketing, general and administrative	%	*22.6*	**16.8**	15.6	12.9	11.8	12.6	11.9	11.5	10.6
	Engineering and product development	%	*3.0*	**2.3**	2.2	1.9	2.0	2.2	2.4	2.2	2.2
	(Loss) profit before Items Shown Below	%	*(31.3)*	**(12.3)**	(8.1)	(6.5)	1.1	(3.7)	1.2	5.6	5.5
	Provision for Unusual Costs and Reorganization Expense	%		**8.3**	0.2	0.9	3.2	2.8			
	Net (Loss) Income	%	*(30.1)*	**(20.1)**	(7.4)	(7.2)	1.2	(10.0)	1.1	3.9	3.9
	Operating (loss) profit***	%	*(27.1)*	**(10.0)**	(8.2)	(3.8)	1.5	(4.5)	2.7	4.7	4.7
PER COMMON SHARE ($U.S.)	Net Sales	$	*5.46*	**36.39**	61.50	171.62	162.90	144.16	156.76	152.00	139.94
	(Loss) Income from Continuing Operations (after dividends on preferred shares)	$	*(1.74)*	**(8.95)**	(8.60)	(11.39)	(2.38)	(9.64)	1.21	5.53	5.37
	(Loss) Income (after dividends on preferred shares)	$	*(1.74)*	**(8.95)**	(8.60	(12.79)	1.58	(14.84)	1.21	5.53	5.37
	(Loss) Income retained	$	*(1.74)*	**(8.95)**	(8.60)	(12.79)	1.58	(14.84)	0.16	4.55	4.66
	Toronto Stock Exchange quotes, High	$	*5⅛*	**3.40**	6⅞	13⅝	15½	20¼	24⅛	32	18⅛
	($ Canadian) Low	$	*3.75*	**1.95**	2.40	5¾	9½	9½	16⅛	16¾	12⅛
	Dividends declared ($ Canadian)	$						0.25	1.08	1.00	0.70
	Dividends paid ($ Canadian	$						0.25	1.08	1.00	0.90
PREFERRED SHARES ($ Cdn.)	Calender year, Toronto Stock Exchange quotes										
	Series A, High	$		**9.88**	20.00	25.00	25.50	27.50	29.00	28.00	26.50
	Low	$		**3.35**	6.25	7.50	17.25	16.25	26.75	25.00	24.88
	Series B, High	$		**9.75**	20.00	24.00	25.00	27.25	29.13	27.00	
	Low	$		**3.15**	5.25	7.00	17.00	16.00	26.25	25.00	
SHAREHOLDERS/ EMPLOYEES	Shareholders–Common shares		*31,871*	**32,961**	34,897	28,351	29,926	31,353	30,619	31,039	35,844
	–Preferred shares		*6,568*	**6,934**	7,918	9,669	10,613	11,370	10,208	10,620	5,046
	Employees (at year end)		*30,095*	**29,749**	39,789	41,690	56,233	57,983	67,151	68,200	64,572
	Common shares outstanding (thousands)		*57,389*	**56,551**	43,025	18,250	18,250	18,250	18,250	18,250	18,250
	Preferred shares outstanding (thousands)		*21,136*	**21,136**	17,463	3,825	3,825	3,825	3,999	3,999	1,600

*See selected Financial Data on Page 34.

**Results for 1980, 1979 and 1978 include the construction machinery business as discontinued operation. It is not practicable to segregate the construction machinery operation for years prior to 1978.

***Operating (loss) profit is defined as total revenue less those recurring expenses which are within the control of management. It excludes extraordinary items, net exchange and reorganization expense pertaining to continuing operations.

****In certain instances, three month data is not comparable to the summary of yearly statistical data.

SALES STATISTICS

(Millions of U.S. Dollars)		Three months ended January 31, 1983		Years Ended October 31									
				1982		1981	1980*	1979*	1978*	1977	1976	1975	1974
		% of Total	Amount $	% of Total	Amount $	$	$	$	$	$	$	$	$
NET SALES BY MARKETS	**North America**												
	Canada	**4.1**	**12.9**	**7.0**	**144.2**	184.7	219.4	217.8	180.0	196.8	222.6	193.6	143.2
	United States	**9.5**	**29.7**	**17.5**	**360.9**	594.0	819.5	839.1	635.1	699.3	634.4	593.9	476.8
	Total	**13.6**	**42.6**	**24.5**	**505.1**	778.7	1,038.9	1,056.9	815.1	896.1	857.0	787.5	620.0
	Europe												
	United Kingdom	**16.5**	**51.8**	**12.8**	**264.3**	198.9	296.9	339.2	321.0	274.4	225.4	211.6	157.5
	France	**13.3**	**41.8**	**8.4**	**172.1**	169.8	227.2	199.8	182.9	189.3	166.7	171.3	142.4
	Italy	**5.0**	**15.7**	**5.8**	**118.5**	137.4	210.9	155.1	122.0	136.2	119.1	89.5	59.3
	West Germany	**3.9**	**12.3**	**4.2**	**87.3**	107.3	157.2	178.9	188.4	220.2	183.1	157.5	88.0
	Scandinavia	**6.1**	**19.2**	**3.8**	**78.5**	90.4	113.6	84.5	104.0	102.7	90.4	86.9	56.1
	Benelux	**1.6**	**5.0**	**1.0**	**19.9**	18.0	28.3	25.8	32.8	44.2	39.8	33.3	19.0
	Austria	**0.8**	**2.5**	**0.6**	**12.3**	10.3	17.8	13.8	13.2	21.9	15.9	14.4	10.3
	Spain	**0.3**	**0.8**	**0.2**	**4.9**	4.1	8.2	10.8	12.0	21.6	19.3	18.6	16.7
	Other	**1.0**	**3.2**	**1.3**	**26.6**	31.3	56.7	44.3	46.1	42.9	30.5	30.4	17.5
	Total	**48.5**	**152.3**	**38.1**	**784.4**	767.5	1,116.8	1,052.2	1,022.4	1,053.4	890.2	813.5	566.8
	Latin America												
	Brazil	**12.6**	**39.4**	**11.3**	**231.6**	307.2	306.0	317.9	249.6	277.1	403.6	363.1	213.3
	Mexico	**0.2**	**0.7**	**1.5**	**30.1**	67.8	75.3	53.8	42.6	20.9	37.4	35.0	19.0
	Argentina	**0.1**	**0.4**	**0.7**	**14.6**	11.7	43.8	43.1	32.8	109.2	72.6	51.7	51.1
	Other	**1.5**	**4.8**	**1.3**	**27.5**	47.4	53.8	42.6	39.7	48.3	35.8	51.8	32.7
	Total	**14.4**	**45.3**	**14.8**	**303.8**	434.1	478.9	457.4	364.7	455.5	549.4	501.6	316.1
	Africa												
	South Africa	**1.1**	**3.6**	**3.1**	**63.3**	108.9	66.2	64.1	73.9	76.5	73.0	99.2	70.2
	Libya	**3.7**	**11.5**	**1.6**	**33.4**	45.4	27.9	24.2	12.5	14.6	14.8	28.9	19.0
	Sudan	**0.5**	**1.6**	**0.6**	**13.5**	7.7	6.5	4.3	1.9	4.2	10.5	3.5	1.7
	Other	**4.0**	**12.4**	**3.0**	**61.6**	70.8	63.9	44.4	54.6	73.1	51.3	63.9	36.1
	Total	**9.3**	**29.1**	**8.3**	**171.8**	232.8	164.5	137.0	142.9	168.4	149.6	195.5	127.0
	Near East	**6.2**	**19.4**	**4.0**	**82.2**	208.0	70.7	49.6	67.8	82.8	101.4	67.7	33.1
	West Asia	**3.2**	**9.9**	**3.7**	**75.3**	71.0	79.1	45.0	58.9	37.1	71.8	35.6	9.0
	East Asia	**1.3**	**3.9**	**1.3**	**27.2**	23.2	52.6	56.4	62.4	46.9	32.7	44.2	26.2
	Australia	**3.5**	**10.8**	**5.3**	**108.3**	131.0	130.6	118.5	96.8	121.3	121.5	108.8	92.4
	Total	**100.0**	**313.3**	**100.0**	**2058.1**	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4	1,790.6
NET SALES BY QUARTERS	First	**100.0**	**313.3**	**23.4**	**480.6**	531.6	711.1	567.7	503.8	544.2	536.1	467.6	327.2
	Second			**27.1**	**558.0**	720.7	844.7	743.0	723.1	706.5	775.7	652.2	450.3
	Third			**25.2**	**518.2**	689.4	731.4	787.7	651.1	781.7	705.9	673.6	481.7
	Fourth			**24.3**	**501.3**	704.6	844.9	874.6	753.0	829.1	755.9	761.0	531.4
	Total	**100.0**	**313.3**	**100.0**	**2,058.1**	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4	1,790.6
NET SALES BY PRODUCTS	**Farm & Industrial Machinery**												
	Tractors	**48.7**	**152.7**	**43.6**	**896.8**	1,125.0	1,315.1	1,256.6	1,107.8	1,201.5	1,186.0	1,038.2	673.3
	Grain Harvesting	**7.0**	**22.0**	**11.9**	**245.3**	353.3	460.1	445.1	341.7	333.3	343.7	353.5	246.3
	Hay Harvesting	**1.0**	**3.0**	**1.2**	**25.4**	39.6	50.6	46.1	49.8	60.3	55.1	51.9	42.8
	Industrial Machines	**4.5**	**14.0**	**4.0**	**82.6**	138.6	164.3	195.7	170.8	153.1	144.6	125.0	124.5
	Other Products	**3.9**	**12.1**	**4.5**	**93.5**	126.1	174.5	176.3	209.3	226.9	234.0	226.6	191.9
	Parts	**16.4**	**51.5**	**15.4**	**315.9**	327.1	368.7	349.2	305.6	275.4	267.2	267.9	215.6
	Total	**81.5**	**255.3**	**80.6**	**1,659.5**	2,109.7	2,533.3	2,469.0	2,185.0	2,250.5	2,230.6	2,063.1	1,494.4
	Engines												
	Engines	**21.0**	**65.7**	**21.9**	**448.9**	608.9	743.6	650.9	560.9	512.9	486.0	402.1	263.0
	Deduct MF	(7.6)	(23.7)	(6.2)	(127.1)	(162.8)	(232.7)	(223.6)	(182.7)	(182.4)	(200.4)	(168.7)	(104.8)
	Parts	**5.1**	**16.0**	**3.7**	**76.8**	90.5	87.9	76.7	67.8	56.4	54.1	61.4	46.6
	Total (Net)	**18.5**	**58.0**	**19.4**	**398.6**	536.6	598.8	504.0	446.0	386.9	339.7	294.8	204.8
	Construction Machinery												
	Machines									184.9	169.9	160.8	79.0
	Parts									39.2	33.4	35.7	12.4
	Total									224.1	203.3	196.5	91.4
	Total	**100.0**	**313.3**	**100.0**	**2,058.1**	2,646.3	3,132.1	2,973.0	2,631.0	2,861.5	2,773.6	2,554.4	1,790.6

*Excluding construction machinery.

OPERATING COMPANIES–FACILITIES AND PRODUCTS

FARM AND INDUSTRIAL MACHINERY

AUSTRALIA
Massey-Ferguson (Australia) Limited
Bundaberg Plant (207,000 sq. ft.)– sugar cane harvesters, loaders, backhoes.

Sunshine (Melbourne) Plant (1,072,000 sq. ft.)–combines, implements.

BRAZIL
Massey Ferguson Perkins S.A.
Canoas Plant (582,000 sq. ft.)– combines, implements, backhoes.

CANADA
Massey-Ferguson Industries Limited
Brantford Locations

–Combine Plant (815,000 sq. ft.)– combines, combine cabs.

–Foundry (255,000 sq. ft.)– gray iron castings.

–Implement Plant (780,000 sq. ft.)– plows, mowers, rakes and other implements, combine and tractor components.

–Stamping Plant (504,000 sq. ft.)– combine, agricultural and industrial tractor components.

Toronto Plant (1,360,000 sq. ft.)– balers, corn heads, tractor cabs, combine and tractor components.

Cambridge Foundry (61,000 sq. ft.)– gray iron and nodular castings.

FRANCE
Massey-Ferguson S.A.
Beauvais Plant (932,000 sq. ft.)– agricultural tractors, tractor components.

Marquette Plant (1,155,000 sq. ft.)– combines, balers, tractor cabs, components, gray iron castings.

ITALY
Massey-Ferguson S.p.A.
Aprilia Plant (600,000 sq. ft.)– industrial crawler tractors; agricultural and industrial machinery components.

Como Plant (115,000 sq. ft.)– agricultural tractor components.

Fabbrico Plant (380,000 sq. ft.)– agricultural tractors.

UNITED KINGDOM
Massey-Ferguson (United Kingdom) Limited
Baginton Plant (312,000 sq. ft.)– tractor components.

Coventry Plant (1,517,000 sq. ft.)– agricultural and industrial tractors, axles, gearboxes, other components.

Manchester Plant (511,000 sq. ft.)– tractor-backhoe-loaders and tractor components.

UNITED STATES
Massey-Ferguson Inc.
Detroit Locations
–Transmission and Axle Plant (397,000 sq. ft.)–transmissions and axles.

–Gear and Shaft Plant (314,000 sq. ft.)–gears and shafts.

WEST GERMANY
Massey-Ferguson GmbH
Eschwege Plant (721,000 sq. ft.)– hydraulic cylinders and components, roller chain.

ENGINES

AUSTRALIA
Perkins Engines Australia Pty. Ltd.
Dandenong Plant (28,000 sq. ft.)– diesel engine assembly, engine reconditioning.

BRAZIL
Massey Ferguson Perkins S.A.
Sao Bernardo Plant (263,000 sq. ft.)– diesel engines.

Sao Paulo (Alvarengas) Plant (132,000 sq. ft.)–diesel engines.

Progresso Metalfrit S.A.
Sau Paulo Foundry (135,000 sq. ft.)– gray iron castings.

FRANCE
Moteurs Perkins S.A.
Genainville Plant (36,000 sq. ft.)– diesel and gasoline engine remanufacturing

UNITED KINGDOM
Perkins Engines Group Limited
Peterborough Locations

–Eastfield Plant (1,403,000 sq. ft.)

–Fletton Components Plants (116,000 sq. ft.)

–Fletton V8 Plant (150,000 sq. ft.)

–Walton Plant (164,000 sq. ft.)– diesel and gasoline engines.

UNITED STATES
Perkins Engines, Inc.
Detroit, Van Born Plant (100,000 sq. ft.)– diesel engine assembly.

PARTS FACILITIES

The Company has 24 major parts warehouses in 10 countries with an approximate total of 2,000,000 square feet of covered storage area. The largest facilities are located at:

Racine, U.S.A. (755,000 sq. ft.)
Urmston, U.K. (362,000 sq. ft.)
Brantford, Canada (173,000 sq. ft.)
Athis Mons, France (150,000 sq. ft.)
Eschwege, West Germany (183,000 sq. ft.)

ASSOCIATE COMPANIES AND PER CENT OWNED

BRAZIL
Piratininga, Implementos Agricolas S.A. 16%
Butia Plant (65,000 sq. ft.)– farm implements.

INDIA
Tractors and Farm Equipment Limited 49%
Madras Plant (193,000 sq. ft.)– tractors, implements.

LIBYA
Libyan Tractor Company 33⅓%
Tajoura (Tripoli) Plant (118,000 sq. ft.)–tractors.

MALAWI
Agrimal (Malawi) Limited 20%
Blantyre Plant (12,000 sq. ft.)– hoes, animal draft equipment.

MEXICO
Motores Perkins S.A. 19%
Toluca Plant (153,000 sq. ft.)– diesel engines.

MOROCCO
Compagnie Maghrebine de Materiels Agricoles et Industriels, S.A. 24%
Casablanca Plant (54,000 sq. ft.)– tractors.

PERU
Tractores Andinos S.A. 49%
Trujillo Plant (70,000 sq. ft.)– tractors

Motores Diesel Andinos S.A. 24%
Trujillo Plant (109,000 sq. ft.)– diesel engines.

SAUDI ARABIA
Saudi Tractor Manufacturing Company 20%
Jeddah Plant (44,000 sq. ft.)—tractors.

SOUTH AFRICA
FedMech Holdings Limited 25%
Vereeniging Locations

–Manufacturing Plant (685,000 sq. ft.)– implements, tractor accessories, attachments, industrial loaders, transport systems.

–Assembly Plant (55,000 sq. ft.)– tractors.

Potgietersrus Plant (216,000 sq. ft.)– harvesting machinery, implements, trailers.

OTHER LICENSEE LOCATIONS

Farm and Industrial Machinery: Argentina, Greece, Guyana, Iran, Japan, Kenya, Malaysia, Mexico, Pakistan, Poland, Portugal, Spain, Thailand, Turkey, Uruguay, Zimbabwe.

Engines: Argentina, Bulgaria, Greece, India, Iran, Pakistan, Poland, South Africa, South Korea, Spain, Turkey, Uruguay, Yugoslavia.

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Victor A. Rice
Chairman and Chief Executive Officer, Massey-Ferguson Limited

Ralph M. Barford
President, Valleydene Corporation Limited

R. Donald Fullerton
Vice-Chairman and President, Canadian Imperial Bank of Commerce

H. N. R. Jackman
Chairman, The Empire Life Insurance Company

Vincent D. Laurenzo
President, Massey-Ferguson Limited

John D. Leitch
Vice President and Director, Canadian Imperial Bank of Commerce

Alastair Morton
Chief Executive, Guinness Peat Group PLC

A. M. Runciman
Director, Canadian Pacific Limited

Albert A. Thornbrough
Retired President and Chief Executive Officer, Massey-Ferguson Limited

Hon. John N. Turner
Partner, McMillan, Binch

J. Page R. Wadsworth
Chairman of the Executive Committee, Confederation Life Insurance Company

Hon. Robin H. Warrender
Chairman and Chief Executive, Bain Dawes PLC

The Duke of Wellington
Director, Massey-Ferguson Holdings Limited

L. R. Wilson
President and Chief Executive Officer Redpath Industries Limited

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

J. Page R. Wadsworth
Chairman
John D. Leitch
H. N. R. Jackman

HUMAN RESOURCES COMMITTEE

Ralph M. Barford
Chairman
Victor A. Rice
J. Page R. Wadsworth
L. R. Wilson

NOMINATING COMMITTEE

Hon. John N. Turner
Chairman
Ralph M. Barford
Victor A. Rice

HEADQUARTERS MANAGEMENT

*Victor A. Rice
Chief Executive Officer

*Vincent D. Laurenzo
President

*Neil D. Arnold
Treasurer

*Douglas Barker
Vice President and Chairman North American Companies

*Michael G. Bird
Vice President and Chairman European Companies

Fred J. Bradley
Director Internal Audit

*Roger C. Clarke
Vice President Business Ventures

*Peter Collins
Vice President Communications & External Affairs

*Darwin G. Kettering
Senior Vice President

*John P. McCarter
Secretary

*Philip E. Moate
Vice President Organization & Human Resource Planning

*Ivan Porter
Vice President Finance

*Ralph Ramsay
Senior Vice President

*Richard E. Robson
Vice President Management Systems

**Officers of the Company*

Other Officers of the Company:
R. D. Garland, Assistant Secretary;
D. L. Burn, V. F. Ciardello,
M. E. Erlindson, Assistant Treasurers

OPERATIONS MANAGEMENT

FARM & INDUSTRIAL MACHINERY DIVISION

*Michael R. Hoffman
President

*D. Brian Long
Vice President Europe & World Export

Giovanni B. Fiori
General Manager Europe & World Export Parts

John D. Sword
Director Technical Operations Europe & World Export

*John H. Ruth
Vice President and General Manager Marketing & Distribution North America

Oliver J. Chapple
General Manager Brazil

Adri Verhagen
General Manager Australia

ENGINES DIVISION

*James M. Felker
President

Ray Carrell
Director Marketing & Planning

John F. Devaney
Director Sales & Business Development

Tony W. E. Downes
Director Engineering

John Towers
Director Manufacturing

CANADIAN FOUNDRIES DIVISION

Bob M. Brown
President

COMPONENTS DIVISION

Horst Braxmaier
President

TRADE & BARTER DIVISION

*Ralph Ramsay
President (acting)

Massey-Ferguson Limited

World Headquarters 595 Bay Street Toronto Ontario M5G 2C3 Canada

COMMON SHARES

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

The Canadian Imperial Bank of Commerce Trust Company, New York

Canadian Imperial Bank of Commerce, London, England

STOCK EXCHANGES

The common shares of Massey-Ferguson Limited are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada, on the New York Stock Exchange in the United States and on the London Stock Exchange in England.

These shares have unlisted trading privileges in the United States on the Midwest Stock Exchange, the PBW Stock Exchange, the Boston Stock Exchange and the Pacific Stock Exchange. The shares are also traded on the Amsterdam Stock Exchange in the form of Dutch Bearer Certificates.

PREFERRED SHARES

TRANSFER AGENTS

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

Canada Permanent Trust Company, Regina (Series B only)

REGISTRAR

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Calgary, Vancouver

STOCK EXCHANGES

The Series A and Series B preferred shares of Massey-Ferguson Limited are listed only on the Toronto, Montreal and Vancouver Stock exchanges in Canada. The Series C, Series D and Series E preferred shares have not been listed for trading.

Printed in Canada

DIVIDENDS

No dividends have been paid to common shareholders since December 20, 1977.

The Company announced on May 28, 1982 that following the payment of the previously declared May preferred share dividends all further preferred share dividends would be suspended. The last dividend paid on Series A preferred shares was dated April 30, 1982; the last dividend on Series B preferred shares was dated March 31, 1982; and the last dividends paid on Series C, D and E preferred shares were dated May 31, 1982.

As indicated in Note 13 to the Consolidated Financial Statements, covenants included in the March 7, 1983 refinancing agreements stipulate that no dividends will be declared on common shares prior to February 1, 1985. Cash dividends after February 1, 1985 are restricted to 50 per cent of net income earned after that date as reduced by cash dividends and redemption of any preferred shares and requires that the Company is in compliance with all its covenants and undertakings. Terms of the Series A and B preferred shares prevent the payment of dividends on common shares until the aggregate of net income earned less dividends paid on preferred shares plus proceeds from common shares issued after January 31, 1983 exceeds approximately $675 million. Thereafter, an agreement with the Governments of Canada and Ontario, which could remain in effect until June 30, 1991, prevents the declaration or payment of dividends on the common shares except with the written agreement of Ministers of these Governments.

ADDITIONAL SHAREHOLDER INFORMATION

There are no restrictions on the export or import of capital which affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

The Foreign Investment Review Act requires prior approval by the Government of Canada of the acquisition by, or transfer to, non-residents of Canada of direct or indirect control of a Canadian business entity, such as the Company. The Act does not apply to the purchase of shares or securities of a corporation where such purchases would not give the purchasers effective control of the corporation.

Interest payable on the Company debt securities held by non-Canadian persons may be subject to Canadian withholding tax, depending upon the terms and provisions of such securities.

ADDITIONAL STATISTICAL DATA	1983 Jan. 31	1982 Oct. 31	1981 Oct. 31
Number of employees*	**30,095**	**29,749**	39,789
Number of shareholders			
Common	**31,871**	**32,961**	34,897
Preferred	**6,568**	**6,934**	7,918
Shares outstanding (thousands)			
Common	**57,389**	**56,551**	43,025
Preferred			
Series A	**1,458**	**1,458**	1,506
Series B	**2,198**	**2,198**	2,268
Series C	**6,000**	**6,000**	3,600
Series D	**8,000**	**8,000**	8,000
Series E	**3,480**	**3,480**	2,088

*Excludes those laid off in North America

TO OUR EMPLOYEES

Vincent D. Laurenzo, President, and Victor A. Rice, Chairman and Chief Executive Officer.

After five tough, lean years the reconstruction program we began in 1978 is in its final stages of completion.

It has not been easy.

There have been many changes, but we have also seen many improvements. There have been sacrifices by everyone who has a stake in the Company–and by no one more than you–our employees world-wide. It is to you that we now wish to address our personal thanks.

We have made great progress in product improvement, in operating efficiency and in asset utilization–and you have done it.

Are the lean years over? We hope not, in the sense that we have become a lean, aggressive company and we intend to stay that way. But can we look forward to a prosperous future? The answer to that is basically in your hands and in the hands of our customers. We have a vision for the future, and to use business jargon, it's a joint venture between Massey-Ferguson employees and our customers. Each of you should seek out customers wherever you are. Tell them what you do. Tell them that you do it well. Ask them how Massey-Ferguson can serve them better. Pass their comments along.

A prosperous future depends on a partnership between us and our customers, and that's something we can all get involved in.

Victor Rice

Vince D Laurenzo